Annual Report 2009

April 1, 2008 – March 31, 2009

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BC Transmission
CORPORATION

Building Connections

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A note on fiscal year references: BC Ferries' fiscal year ends on 31 March. The fiscal year ending March 31, 2009 is referred to as "fiscal 2009" or "2009". When used in reference to shorter time periods, the number of the year is also to the fiscal year in which it falls. Thus, references to the fiscal year ending March 31, 2009 (or interchangeably to fiscal 2009) refer to the calendar year ending "2009" refers to Jan 1, 2009 to December 31, 2009.

Highlights

British Columbia Transmission Corporation (BCTC) accomplished a number of important achievements in F2009:

- → Reached aggregate capital investment of more than $1.4 billion since becoming operational in 2003.
- → Demonstrated fiscal prudence and efficiency in keeping BCTC's transmission rates below F2004 levels, despite significant cost pressures.
- → Completed a comprehensive transmission losses reduction study, in support of the provincial government's Energy Plan conservation goals.
- → Integrated a number of new technologies into BCTC's new, state-of-the-art control centre. These include an innovative new energy management system and associated infrastructure to improve operating efficiency and reliability, and to facilitate deployment of Smart Grid applications.
- → Proceeded with infrastructure development to interconnect British Columbia's first wind farm at BCTC's new Bear Mountain Terminal substation. Since May 2003, BCTC has completed seven interconnections, delivering 180 MW of clean, renewable power to the grid. Four additional projects, representing a further 556 megawatts (MW), are under construction.
- → Received regulatory approval for the Central Vancouver Island project, which will ensure ongoing delivery of safe, reliable service to Vancouver Island.
- → Provided more than $340,000 to community and First Nations programs and to educational scholarships throughout BC.
- → Began implementation of BCTC's Transmission Technology Roadmap. The Roadmap provides guidance on new technologies that BCTC may adopt over the next 20 years.
- → Served as a leading partner in the Western Renewable Energy Zone initiative, which aims to identify and expedite development of renewable energy from areas in Western North America.
- → Worked with government to establish Terms of Reference for the British Columbia Utilities Commission's (BCUC) Long-term Electricity Transmission Inquiry, which will help to identify the transmission infrastructure investment required in BC over the next 30 years.
- → Completed more than 130 public consultation activities, including public open houses, workshops, stakeholder meetings and presentations during F2009.
- → Prepared and filed with the BCUC an assessment report on mandatory reliability standards to be adopted in BC.
- → Implemented a captive spotted owl breeding program. Plans are to begin releasing owls in F2010 in areas around the Interior to Lower Mainland Transmission project.
- → Redesigned BCTC's employee benefits program, responding to BCTC's shifting workforce demographic. The new plan will deliver the benefits employees want while balancing costs to the organization.
- → Placed into service the Vancouver Island Transmission Reinforcement project, the largest transmission project in BC for 14 years.

Financial Highlights

($ in millions)	F2009	Restated* F2008
Income Statement		
Revenues	$ 237.8	$ 201.9
Operations, maintenance and administration expenses	206.7	186.1
Net income	7.1	3.2
Capital Expenditures		
Assets owned by BCTC	$ 18.7	$ 70.1
Provincially owned transmission assets	376.1	203.0
Balance Sheet		
Total assets	$ 178.0	$ 186.1
Debt	73.5	85.9
Shareholder's Equity	51.3	43.8

** Reclassification of capital overhead billings from O&M to Revenue.*

Message from the Chair

Message from the Chair of the Board to Minister of Energy, Mines and Petroleum Resources
June 2, 2009

This is, without a doubt, an exciting and critical time in the North American energy sector. The BC energy sector faces considerable opportunities as it looks to adopt more conservation, more innovative technologies and more renewable, low carbon energy. BCTC is at the forefront of this change and, over the past year, implemented a number of initiatives and achieved significant milestones that support the BC government's energy and climate action objectives.

Meeting BC's Long-term Electricity Needs

Infrastructure investment is critical to meeting the electricity needs of our customers and realizing the province's economic opportunities. BCTC has already invested more than one billion dollars in BC's electricity grid since beginning operation in May 2003. BCTC's current capital plan outlines $5.3 billion in investment over the next ten years, with more than 200 projects to expand the system and more than 85 programs to sustain our existing assets. BCTC placed into service the Vancouver Island Transmission Reinforcement project, the largest transmission project in BC for 14 years and also received regulatory approval for the Central Vancouver Island project.

BCTC's strategy also supports the province's Energy Plan in the areas of innovation and reliability. In F2009, BCTC completed the consolidation of our new system control centre. The world-class, advanced technology in this facility will increase the efficiency of transmission system operations as well as enhance reliability. This innovative approach to operating the transmission system earned BCTC a nomination for a prestigious industry award from the Edison Electric Institute.

Last year, BCTC was at the forefront of the move to advance transmission investment to integrate areas with significant renewable, low carbon potential. We conducted more than 85 transmission studies on connecting new, renewable generation to the grid. These grid interconnection studies analyzed renewable generation sources such as wind power and run-of-river hydro power and generation that utilizes wood infected by the mountain pine beetle as well as other wood fibre and biomass fuel sources.

With the launch of the BC Utilities Commission Long-term Electricity Transmission Inquiry ("the Inquiry"), BCTC will continue to advance our long-term planning perspectives in BC and the region. BCTC will have a lead role in this Inquiry and we support the 30-year perspective to transmission planning this type of initiative brings to the province. This next year, BCTC will also continue developing our Long-term Transmission Vision (LTTV) report, which, in addition to the outcomes of the Inquiry, will look at advanced technologies that we expect to be incorporated into the system and long-term strategies to maintain our existing assets. BCTC is committed to talking with communities, First Nations and stakeholders to ensure their plans and views are part of this visioning exercise.

Environmental Leadership

Over the past year, we have seen the global community consider real changes to address climate change. The ambitious energy plans in the US, even in the face of serious economic challenges, reflect the urgency of this planet-wide challenge. In BC, this also means stepping up efforts in the areas of incorporating renewable, low carbon energies, conservation and technological innovation.

To support the BC Energy Plan's conservation goal, this past year BCTC finished a comprehensive study assessing the energy losses that occur throughout the transmission system during the normal course of moving electricity. In F2010, we will continue implementing operational and capital initiatives identified in this report that provide conservation benefits.

BCTC is also working to reduce its own carbon footprint. In F2009, BCTC launched its Integrated Climate Change Response Program and submitted its Carbon Neutral Action Report to the BC government in March. We are already undertaking a number of actions to promote awareness and reduce greenhouse gas emissions, from replacing fleet vehicles with more fuel efficient alternatives, to implementing waste reduction initiatives.

Strengthening BC's Opportunities in the Region

Ensuring BC continues to enjoy the reliability and economic benefits that come from being part of a larger regional system was a strategic priority for BCTC last year. We represented BC's interests in a number of regional transmission initiatives, including the Western Electric Coordinating Council and the Western Renewable Energy Zone initiative. BCTC is helping to ensure that BC's resource potential is adequately represented and that the regional transmission system needed to incorporate renewable, low carbon energy is planned in a manner that considers the needs of British Columbia.

BCTC's ability to interconnect BC's grid with other jurisdictions and markets means remaining consistent with North American reliability standards. In F2009, BCTC prepared and filed with the British Columbia Utilities Commission an assessment of the industry's mandatory reliability standards to be adopted in BC.

BCTC's Performance

Over the course of this ambitious year, BCTC met or exceeded four of our corporate performance targets, including those that measure cost management, employee engagement, contractor safety and stakeholder satisfaction.

For our reliability measure, which measures the average amount of time in hours per delivery point that service is interrupted in a year, BCTC achieved a result of 2.36 hours of outages for the entire year, 0.85 hours above our target.

BCTC did not reach our targets for employee safety and environmental incidents. In addition to continuing to improve our performance on all our measures, these results provide BCTC with areas on which to focus in the coming year. Providing reliable service to the public and a safe working environment to our employees and our contractors are top priorities for BCTC. In F2010, we will also focus on mitigating environmental incidents to comply with increasingly stringent federal regulation.

While BCTC met the target for contractor safety incidents, on May 15, 2008, a helicopter carrying two BC Hydro employees crashed in Cranbrook while on a routine transmission line patrol. The pilot, a pedestrian, and both BC Hydro employees were killed. We at BCTC expre's our deepest sympathies to the families and friends of the victims of this accident. Safety is of utmost priority for BCTC and we will continue to focus on improvements in this area.

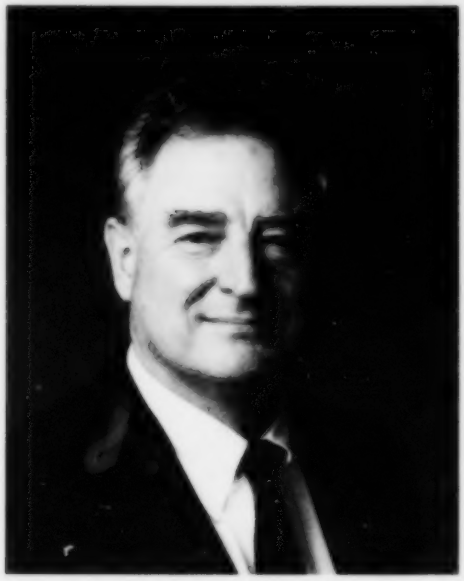
In our sixth year of operations, we earned a net income of $7.1 million in F2009, compared to $3.2 million in F2008. Despite significant cost pressures, BCTC was able to maintain transmission rates below F2004 levels. Maintaining low rates will be a challenge for the corporation moving forward, considering the extensive work programs required to expand and maintain the transmission system.

Engaging with First Nations and Stakeholders

Working to find a balance between the requirements of important provincial infrastructure projects and individual property interests is not a simple endeavour, but we are committed to working very hard to ensure all views are heard and considered as we plan the BC transmission system. In the process of developing and implementing our initiatives last year, we listened carefully to our customers, First Nations and stakeholders in order to build knowledge and understanding of their interests. Last year, we held more than 130 public consultations, including public open houses, workshops, stakeholder meetings and presentations and we intend to continue this high level of engagement in the future.

At BCTC, we are excited to take on the challenges and opportunities of adapting the grid with innovative technologies and the interconnection of new, renewable, low carbon energy facilities to the transmission system.

David L. Emerson
Chair of the Board
British Columbia Transmission Corporation



Accountability Statement

The F2009 BCTC Annual Report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The information presented was prepared in accordance with the BC Reporting Principles and provides a comprehensive representation of our performance in relation to our February 2008 Service Plan. The measures look at key aspects of the corporation's performance and are consistent with BCTC's mission, vision, values and objectives.

The Board is responsible for ensuring that internal controls are in place so that performance information is measured accurately and in a timely fashion. All significant decisions, events and identified risks, as of June 1, 2009 have been considered in preparing this report. Estimates and interpretive information are contained in this report and represent the best judgment of management. Any changes in mandate, goals, strategies, measures or targets made since the February 2008 Service Plan was released, and any significant limitations in the reliability of data are identified in the report.

Business Overview

BCTC's vision is to be globally recognized for its innovative and sustainable management of the electricity transmission system for the benefit of British Columbians.

BCTC is responsible for planning, building, operating and maintaining British Columbia's transmission system in a safe, reliable and cost-effective manner. The organization ensures that transmission system planning is effective for BC's generation and distribution entities, neighbouring interconnected transmission systems, and other eligible users.

To achieve its goals, BCTC has defined core and enabling strategies to guide how the organization will achieve its vision and deliver on its mandate. The three core strategies are:

1. *Operational Excellence* – Continuously improve everything BCTC does to manage the transmission system in a safe, reliable, cost-effective manner.
2. *Market Access and Customer Service* – Create the business rules and physical infrastructure to allow customers to reach their markets, within and beyond BC, now and in the future.
3. *Long-term Capacity Build-out* – Building new and replacement transmission infrastructure based on a long-term view of BC's needs.

Four enabling strategies provide the critical building blocks that ensure BCTC succeeds in the implementation of its core strategies:

1. *Relationships* – Open and constructive relationships with First Nations, communities and stakeholders are key to accomplishing BCTC's core objectives.
2. *Employees* – Successful implementation of BCTC's strategy is dependent on highly skilled and engaged employees.
3. *Technology* – BCTC is a technology intensive company and needs long-term technology plans for asset management, system operations and information systems.
4. *Suppliers* – BCTC's unique business model requires that it rely on external resources for the provision of many critical services and warrants that it establishes strategic relationships with some of its suppliers.

To learn more about BCTC's vision, mission and values, go to BCTC's website at

Five Years of Achievement

F2009 marked BCTC's fifth year of operating as an independent transmission company. Since May 2003, BCTC has operated and maintained one of the most complex and geographically diverse electricity grids in North America. While keeping the lights on, BCTC has planned and constructed major transmission infrastructure expansions and introduced innovative new technologies and services to the British Columbia electricity sector. Some examples of BCTC's accomplishments include:

F2004 BCTC adopted an Open Access Transmission Tariff with BC Utilities Commission (BCUC) approval that sets out the terms and conditions by which BCTC conducts business with its customers.

F2005 BCTC prepared and received approval of its first Transmission System Capital Plan. The plan outlined $2.8 billion in capital investments over the next 10 years, including $1.3 billion of sustainment investment and $1.5 billion of expansion investment.

F2006 Introduced Dynamic Scheduling, a valuable service that creates new market opportunities for BCTC's customers by opening access to markets in which they previously were not able to participate. In 2007, Dynamic Scheduling generated $6.8 million in revenues.

F2007 Received BCUC approval for the Vancouver Island Transmission Reinforcement (VITR) project to meet the electricity needs of Vancouver Island and Southern Gulf Island residents.

F2008 BCTC opened a new, state-of-the-art system control centre. This facility allows BCTC operators to control, monitor and operate BC's complex electricity system. It is also an important example of BCTC's adoption of Smart Grid technology.

F2009 BCTC's capital plan expanded to $5.3 billion, with more than 400 projects to be executed over the next 10 years.

BCTC invested more than $1.4 billion in BC's electricity grid since beginning operations in May 2003 to maintain, improve and expand BC's electricity grid.

Placed into service the Vancouver Island Transmission Reinforcement project that will help to ensure a reliable supply of power for more than 700,000 residents and the businesses on Vancouver Island and the southern Gulf Islands.

BC's Transmission System

The heritage transmission system, owned by the Province of British Columbia, is the second largest electricity grid in the Pacific Northwest. It is made up of an extensive network that includes:

- 18,589 kilometres (km) of high-voltage transmission lines, underground and submarine cables that range from 60 kilovolts (kV) to 500 kV
- 22,000 steel towers and 100,000 wood poles
- 292 substations
- A state-of-the-art system control centre and backup facility
- 115 microwave stations and microwave repeater sites
- Seven grid connections to Alberta and Washington State

The transmission system receives power from approximately 60 generating stations located throughout BC and through interconnections with Alberta and the US. This power is delivered to virtually every community in the province.

The bulk transmission system is the backbone of the province's high-voltage electricity grid. It includes the 500 kV transmission system, parts of the 230 kV system, the transmission connections to Vancouver Island, and interconnections with other utilities. The bulk system connects the large remote generating stations in the Peace River and Columbia River areas with the major load centres of the Lower Mainland and Vancouver Island. Four regional transmission systems transfer energy within specific geographic areas of the province. These regional systems generally consist of 230 kV, 138 kV, and 60 kV transmission networks that connect local generation and deliver power to distribution utilities or transmission customers located within the region.

For more information on BC's transmission system, as well as our interconnections with the FortisBC system, Alberta and the US, go to:

Roles and Responsibilities

BCTC is responsible for transmission system operations, planning, asset management and maintenance, including system expansion and asset replacement. BCTC owns the control centre assets required for operating and controlling the transmission system. BC Hydro continues to own and finance the transmission system assets. For more information on BCTC's primary roles, responsibilities and services, please see:

Location of Operations

BCTC's corporate head office is located in Vancouver, with one system control centre in the Lower Mainland and a back-up control centre in the Southern Interior. These latter two facilities became operational in F2008.

Mandate and Enabling Legislation

BCTC is a Crown corporation, with the Province of British Columbia as the sole Shareholder, regulated by the BCUC. The *Transmission Corporation Act* and a number of designated agreements between BCTC and BC Hydro further define BCTC's responsibilities. The Minister of Energy, Mines and Petroleum Resources is responsible for BCTC. An 11-member Board of Directors, appointed by the Shareholder, oversees the operations of the company.

Find more information on BCTC's mandate and enabling legislation at:

A Shareholder's Letter of Expectations from the Minister of Energy, Mines and Petroleum Resources to BCTC's Chair sets out the corporate mandate, high-level performance expectations, strategic priorities and the relationship between the Shareholder and BCTC. Page 7 of this Annual Report provides a synopsis of specific directions contained in the Shareholder's Letter of Expectations, and BCTC's actions to address those directions.

Business Overview

Public Policy

BC Energy Plan

As a provincial Crown corporation, BCTC has a key role in advancing provincial public policy. The BC Energy Plan sets out a vision for continued environmental leadership by encouraging clean or renewable, low carbon sources of energy. BCTC has a number of activities underway to support the goals of the BC Energy Plan as outlined below.

Advancing transmission investments in a timely manner is a critical element in achieving the BC Energy Plan's objectives of environmental leadership and economic prosperity. The BC Energy Plan identified BCTC's obligation to ensure that adequate transmission infrastructure is built in advance of contracted need, and the *Utilities Commission Amendment Act (2008)* requires the BCUC to conduct a public inquiry to determine the province's long-term transmission needs. BCTC will play a lead role in the inquiry to help identify the transmission infrastructure investment over the next 30 years.

In its February 2009 Throne Speech, the BC government has also committed to exploring BC's potential as a net exporter of clean, renewable energy, recognizing that trade in electric power with other jurisdictions helps generate revenue, promote investment in BC and create environmental benefits for the region. BCTC will support government as it explores opportunities of trading surplus BC energy.

Another key objective of the BC Energy Plan is to invest in innovation, so that BC's transmission technology and infrastructure uses leading edge technologies. In F2009, BCTC continued to incorporate technologies into its system control centre. In one example, BCTC is collaborating with BC Hydro in developing a new distribution management system to facilitate deployment of Smart Grid applications.

Climate Action

In November 2007, the *Greenhouse Gas Reduction Target Act* became law in BC. This Act codifies the government's commitment to reduce carbon emissions by establishing a target of reducing greenhouse gas (GHG) emissions by at least 33 percent below 2007 levels by 2020. This Act also requires Crown corporations to become carbon neutral by 2010 and report actions taken toward carbon neutrality annually.

BCTC has launched its Integrated Climate Change Response Program to identify and evaluate risks presented by climate change and to develop effective risk management measures. BCTC submitted its Carbon Neutral Action Report to the Ministry of Energy, Mines and Petroleum Resources and is already undertaking a number of actions to promote awareness and reduce GHG emissions, from replacing fleet vehicles with more fuel-efficient alternatives, to implementing office waste reduction and elimination initiatives.

Contributing to BC's Economy

Electricity is a fundamental building block of a modern economy and it is BCTC's responsibility to keep the province's grid effectively planned and managed so that electricity meets the long-term needs of BC's businesses and communities.

BCTC contributes directly to BC's economy. Capital projects undertaken by BCTC contribute a significant level of economic benefit to the business and residents of BC. For example, the construction phase expenditures of the Interior to Lower Mainland (ILM) transmission project are estimated to total more than $311 million in equipment, materials, wages and benefits. This project will create the equivalent of more than 500 full-time jobs and will provide more than $206 million in direct economic benefits to the province. Furthermore, due to the use of advanced infrastructure, the ILM project will reduce electricity lost in transmission. The project will make available additional energy that would otherwise have been lost (enough energy to supply 30,000 - 50,000 homes), directly supporting the Energy Plan's goal of conservation.

Organizational Structure

In F2010, BCTC forecasts its activities and services will be delivered by 445 employees across six business divisions. For information on BCTC's organizational structure, please visit

Key Relationships

BCTC has a number of key relationships with customers, First Nations, stakeholders, industry associations and strategic partners, for example. These relationships are important to BCTC's operations and necessary in providing reliable service for customers and benefits for British Columbians. For more information, go to

Alignment with the Shareholder's Letter of Expectations

The Shareholder's Letter of Expectations between the Shareholder (the Government of British Columbia) and BCTC is an agreement on the respective roles of each, including the corporate mandate, high-level performance expectations, public policy issues, and strategic priorities. The Letter also provides direction from the Shareholder to BCTC to take specific actions. The following table lists those directions and BCTC's responses. The Shareholder's Letter of Expectations is reviewed and updated by the Shareholder as required. The 2008 Shareholder's Letter of Expectations is available on BCTC's website at

Shareholder's Direction	BCTC Alignment
Implement actions to support the objectives of BC's Energy Plan, including: • Ensure British Columbia's transmission technology and infrastructure remains at the leading edge, and has the capacity to deliver power efficiently and reliably to meet growing demand. • Ensure adequate transmission is in place to meet long-term electricity needs of the province, and to ensure the transmission grid can integrate new clean and renewable sources, and can accommodate the energy and capacity requirements needed to meet the government's self-sufficiency objective. • Contribute to energy conservation efforts. • Maintain consistency with North American reliability standards and participate in standards development to ensure BC's interests are represented.	• Incorporated technologies into BCTC's new control centre, including an innovative new energy management system and associated infrastructure to improve operating efficiency and reliability, and to facilitate deployment of Smart Grid applications. • Supported development of Terms of Reference for the BCUC inquiry into long-term transmission needs of the province. • Implemented loss reduction strategy to support conservation and energy efficiency goals. • Implemented a regime to remain consistent with North American electricity mandatory reliability standards. • Participated in Western Renewable Energy Zone (WREZ) initiative to identify utility scale renewable energy resources. • Initiated implementation of recommendations from BCTC's Transmission Technology Roadmap. • Developed System Operations Technology Strategy to enrich the transmission system's functionality and ensure it remains leading edge.
Ensure sustained asset health, reliability and security of the transmission system.	• Implemented first year of BCTC's 10-year, $5.1 billion Transmission System Capital Plan (F2009 - F2018). • Developed strategy and criteria for radial line reinforcement, based on reliability benefits, criticality of load, and cost. • Began implementation of critical infrastructure program consistent with prevailing industry standards for both physical and cyber asset security. • Began development of new restoration planning criteria to ensure a reliable supply of power to urban areas over the next five to 20 years. • Began implementation of 40-year Metro Vancouver Strategic Supply Plan.
In the context of the BC Energy Plan, implement actions necessary to maintain British Columbia's competitive electricity rates.	• Delivered cost-effective system operations through ongoing prudent planning and seeking regulator approval of revenue requirements and capital expenditures. • Supported efficient trade of BC's generation through participation in regional initiatives that inform strategic transmission investment.
Continue to enhance open access transmission tariffs that promote private sector opportunities in wholesale electricity supply and facilitate direct purchase of electricity by large users, subject to the approval of the BCUC.	• Filed with BCUC BCTC's plan to implement new provisions to the industry standard Open Access Transmission Tariff to reduce seams and facilitate energy trade in the Pacific Northwest.

Alignment with the Shareholder's Letter of Expectations

Shareholder's Direction	BCTC Alignment
Continue to lead British Columbia's involvement in exploring and evaluating opportunities for increasing the province's transmission capacity to improve access to external markets.	• Expanded transmission services including dynamic scheduling and ACE Diversity Interchange. For more information, see page 19 of this annual report. • Participated in western regional initiatives to identify areas in western North America that have utility-scale renewable energy resources and expedite the development and delivery of those resources to meet regional energy needs. • Continued development of the proposed Canada-Northern California transmission project with partners. • Participated on Western Electricity Coordinating Council's Transmission Expansion Planning Policy Committee to address economic planning of the transmission system. • Identified opportunities with Bonneville Power Administration and Alberta to expand regional transmission.
Continue to utilize public planning processes with BCTC's stakeholders to promote openness and transparency in overall planning objectives.	• Continued consultation activities with First Nations, communities and stakeholders. • Increased contracting and employment opportunities for Aboriginal people and businesses through BCTC's Aboriginal Business Development Program. • Began implementation of the Public Acceptance Program, which includes integrated communications and consultation programs designed to gain broader public understanding and acceptance of the need and benefits of transmission projects.
Fully participate in BCUC led inquiry into long-term transmission requirements and in other regulatory processes under the direction of the BCUC related to transmission planning and capital projects.	• Prepared and filed the Transmission System Capital Plan (F2010 and F2011) outlining expenditures to ensure British Columbians continue to benefit from reliable, clean and efficient electricity. • Continued to support inquiry into long-term transmission needs of the province. • Sought project approvals for major projects in the Lower Mainland, the Southern Interior, and Vancouver Island. • Filed report with the BCUC assessing the suitability of implementing reliability standards in British Columbia consistent with other jurisdictions. • Filed BCTC's Transmission Technology Roadmap with the BCUC.
Work with Shareholder to identify current or upcoming transmission issues that could require provincial policy development, and assist with implementation of any such policies.	• Supported the BC Energy Plan, particularly with Policy Actions 12, 13, 14. • Held quarterly meetings between BCTC President and CEO and the Minister of Energy, Mines and Petroleum Resources. • Held regular meetings between BCTC and Ministry of Energy, Mines and Petroleum Resources staff. • Participated in government working groups to discuss regional policy issues.
The Board will continually assess its appointment process to ensure succession results in both renewal and continuity of Board membership and will provide the results of this assessment to Shareholder for consideration.	• The Shareholder, as required under the *British Columbia Business Corporations Act*, appoints BCTC's Board members annually. Prior to the annual appointment, communications are held between the Board Chair and the Minister Responsible on Board renewal considerations. • The Board, through its Corporate Governance Committee, maintains a succession framework and incoming director orientation program to facilitate the orderly transition of Board members over time.

Shareholder's Direction	BCTC Alignment

Encourage staff involvement in developing ideas and new solutions to meet the government's climate change objectives, including energy conservation programs and fleet and traffic management initiatives, and report on results achieved.	• Continued development of BC Hydro's Integrated Climate Change Response Program, including:
	  • Assessed and audited BCTC emissions relative to defined BC government inventory protocols, commencing in F2004, with annual audits every year thereafter.
	  • Participated and supported the government in BCTC's Carbon Neutral Report. BCTC's emissions as well as reduction and mitigation initiatives.
	  • Managed and tracked sulphur hexafluoride (SF_6) emissions and inclusion of SF_6 in BCTC's overall maintenance program to reduce SF_6 loss (a major contributor of GHG emissions in the electricity industry).
	  • Replaced fleet vehicles with more fuel efficient vehicles in their class.
	  • Added a hybrid vehicle to fleet for in-city business commuting.
	  • Introduced video conference technology at all three BCTC offices to reduce employee travel.
	  • Installed multiple LCD projectors in various control rooms/work offices.
	  • Recycled and refurbished computer equipment.
	  • Delivered climate change education program to more than 90 percent of employees at BCTC's major operation offices.
	• Continued BCTC career continuation program that encourages employees to use public transit, cycle or carpool to work.
	• Launched an employee engagement program to measure BCTC's culture, footprint, and employees' climate footprint, utilizing the Pembina Institute "One Less Tonne" measurement tool.

Support Hawk Air on advancing the Northwest Transmission Line.	• Conducted studies and consultation required for the Environmental Assessment process including:
	  • Completed the Draft Terms of Reference for the Environmental Assessment Application in March 2009.
	  • Sent out for public comment the Draft Terms of Reference between March 18 and April 20, 2009.
	  • Began responding to the comments received and revising the Draft Terms of Reference as appropriate.
	  • Began conducting field studies to provide baseline information for Environmental Assessment. These field studies to be completed in summer 2009.
	• Worked with the Skeena Area on associated new load integration opportunities.
	• Continued First Nations consultation.

Goals, Objectives, Strategies, Performance Measures and Targets

BCTC's corporate goals state the direction the Corporation will take over a three-year planning horizon. The corporate goals are supported by a corresponding set of strategies, performance measures and targets. Definitions and the rationale for each performance measure are provided, as well as internal/external benchmarking measures that allow a comparison of performance over time. The measures track BCTC's progress in delivering on its key priorities.

In July 2008, the BC government requested a framework for performance evaluation be prepared for all of its commercial Crown corporations. In response, BCTC initiated a Performance Measurement and Benchmarking Review Project, conducted jointly with the Crown Agencies Secretariat, the Ministry of Energy, Mines and Petroleum Resources (MEMPR), and the Ministry of Finance. The results of this project and BCTC's strategic planning process led to BCTC restating its goals and changing some of its performance measures.

The following table charts the changes that BCTC made to its goals and performance measures:

	F2009 Service Plan	**F2009 Annual Report**
Goal One	Reliability and Service Achieve reliability improvements and deliver outstanding customer service	**Operational Excellence** Continuously improve everything BCTC does to manage the transmission system in a safe, reliable and cost-effective manner
Goal One Measures	• BCTC SAIDI*	• BCTC SAIDI • Total Transmission Expenditures per gigawatt hour (GWh) x km actual -variance to plan (%) • Lost-time Accidents (BCTC and Contractors)** • Reportable Environmental Incidents
Goal Two	Market Efficiency Ensure efficient use and development of the transmission system	**Market Access and Customer Service** Ensure the business rules and physical infrastructure are in place to allow BCTC's customers to reach their markets within and beyond BC, now and in the future
Goal Two Measure	• No measure	• Stakeholder Satisfaction Survey
Goal Three	Environment and Safety	**Long-term Capacity Build-out** (Environment and Safety now a component of Goal One)
Goal Three Measures	• Reportable Environmental Incidents • Safety (Lost-time Accidents (BCTC and Contractors))	• Projects Complete On/Under Budget • Critical Commitments On Time
Goal Four	Relationships Build open and constructive relationships with stakeholders and First Nations	**Relationships** Build open and constructive relationships with stakeholders and First Nations.
Goal Four Measure	• Stakeholder Satisfaction	• Stakeholder Satisfaction Survey (reported under Goal Two)
Goal Five	Organization and People Build an engaged and highly skilled workforce	**Employees** Attract, develop, and retain a highly skilled and engaged workforce
Goal Five Measure	• Employee Engagement Index	• Employee Engagement Index
Goal Six	Cost Management Maintain prudent financial management of capital and operating expenditures	(A component of Goal One)
Goal Six Measures	• OMA Actual against Plan	(A component of Goal One)

** SAIDI is a key measure of the reliability of the transmission system. It measures the average amount of time in hours (or min. all customers on delivery points) are not interrupted in a year due to planned or unplanned outages.*

*** BCTC will transition to a new safety measure, All Injury Frequency Rate, in F2011.*

Note: BCTC does not currently include corporate performance measures for the enabling strategies of Suppliers and Technology in this annual report. BCTC does have performance measures under development for these strategies that may be considered for corporate performance measures for future annual reports.

Ensuring the Accuracy and Reliability of Performance Information

BCTC is diligent in ensuring the accuracy and reliability of performance information. Before a measure is developed, historic data relating to the measure are reviewed to confirm the availability, thoroughness and accuracy of this data.

BCTC provides financial information through its audited financial results, while the organization captures environmental and safety results through BCTC's related reporting systems. BCTC gathers reliability data in the organization's operational databases and analyzes the data for internal and external reporting purposes. Third parties conduct the employee and stakeholder surveys.

Internal reporting of results, including data collection and review of monthly performance, is done by staff trained in performance measurement. Results are subject to executive management review. In addition, BCTC's Human Resources, Safety and Environment Committee of the Board of Directors reviews performance results quarterly.

Performance Benchmarking

Wherever possible, BCTC seeks independent validation of performance results. BCTC participates in a number of industry benchmarking initiatives for continuous improvement of its performance. However, benchmarking against comparable electricity transmission organizations is not always possible, given BCTC's unique business model, geographical span, climate and system. As a result, BCTC is working with industry trade groups and consulting firms to identify appropriate benchmarks and gather data.

For example, BCTC participates in the International Transmission Operations and Maintenance Study (ITOMS) which occurs every two years. Over the past decade, the ITOMS program has focused predominantly on the maintenance and operation functions of the transmission business unit. BCTC participated in the ITOMS Benchmarking Studies for F2005 and F2007. In F2007, BCTC displayed lower than average transmission and substation maintenance costs relative to other study participants, which are positive results in terms of cost management.

Significant Risk and Capacity Issues

The current status of the global and, specifically, national economy creates risk for BCTC. Please see the Management Discussion and Analysis for further discussion of business risks and how BCTC has addressed them.

Measures and Targets at a Glance

The following table summarizes BCTC's corporate performance measures and targets:

Goal	Measure	F2009 Actual	F2009 Target	F2010 Target	F2011 Target	F2012 Target
Operational Excellence	SAIDI	2.36	2.23	2.46	2.46	2.46
	Total Transmission Expenditures per GWh x km actual -variance to plan (%)	-2.22%	n/a	+/- 5%	+/- 5%	+/- 5%
	Safety – Lost Time Accidents: BCTC	1	0	0	0	0
	Contractors	6	20	15	15	15
	Reportable Environmental Incidents	12	10	19	19	17
Market Access and Customer Service	Stakeholder Satisfaction	89%	89%	90%	90%	90%
Long-term Capacity Build-out	Projects Complete On/Under Budget	69%	n/a	69%	69%	69%
	Critical Commitments On Time	87%	n/a	87%	87%	87%
Relationships	Stakeholder Satisfaction	As reported under Goal Two (Market Access and Customer Satisfaction)				
Employees	Employee Engagement	3.61	3.48	3.53	3.56	3.61

The following section of the report provides explanations of BCTC's corporate goals, its strategies to meet them, and F2009 performance measures. The results of BCTC's performance are presented and analyzed, and an outline of the organization's plans is included.

GOAL 1: Operational Excellence

Continuous improvements to everything BCTC does to manage the transmission system in a safe, reliable, and cost-effective manner.

Rationale for this Goal

Ensuring reliable transmission service is one of BCTC's fundamental responsibilities. Maintaining and improving transmission reliability requires a combination of cost-effective capital investments, well-defined operating procedures, and the use of new technologies that address customer needs and improve efficiency.

Objectives

- → Continuously improve overall system reliability and target specific areas of vulnerability.
- → Contribute to competitive electricity rates through prudent financial management of transmission capital and operation expenditures.
- → Continuously improve BCTC's environmental and safety performance.

Strategies

- Develop and implement a 40-year plan to improve reliability and meet long-term electricity needs in Metro Vancouver.
- Participate in the development of North American Electric Reliability Corporation reliability standards and their application in BC, and ensure BCTC is fully compliant with mandatory reliability standards approved by the BCUC.
- Implement loss reduction study recommendations to minimize energy losses on the transmission system.
- Complete a comprehensive review of BCTC's capital management program to identify measurable performance targets to increase BCTC's effectiveness in executing its multi-year capital program.
- Ensure BCTC's timely transition from Canadian accounting standards to International Financial Reporting Standards for F2012 financial reporting.
- Ensure contractors meet BCTC's environmental and safety standards and continuously review Safety and Environment Management Systems for improvement opportunities.
- Report BCTC's greenhouse gas (GHG) emissions reduction and mitigation initiatives in BCTC's annual Carbon Neutral Report, pursuant to the government's *Greenhouse Gas Reduction Targets Act*.
- Advance reliability enhancement initiatives, including cost/benefit analyses of radial line upgrades, and development of a plan to reduce restoration times in metropolitan areas.

Performance Measures

MEASURE 1: BCTC System Average Interruption Duration Index (SAIDI)

SAIDI is a key measure of the reliability of the transmission system. It measures the average amount of time, in hours across all transmission delivery points, service is interrupted in a year due to planned or unplanned outages. It excludes interruptions caused by generators and major external events that are out of BCTC's control. SAIDI assesses BCTC's effectiveness in providing high levels of service reliability from the point of receipt for transmission service to the point of delivery.

Measure	Actual				Target			Results
	F06	F07	F08	F09	F09	F10	F11	
BCTC SAIDI (hours per delivery point)	2.07	4.23*	2.43**	**2.36**	2.23	2.46	2.46	**Did not meet target**

* F2007 results included the effect of major weather events. Removing the extraordinary events would improve the results to 2.67 hours.

** F2008 results included the effect of a major wildfire event. Removing this extraordinary event would improve the result to 2.14 hours.

Performance Analysis

BCTC did not meet its SAIDI target of 2.23 in F2009. BCTC has evaluated its target setting procedures for SAIDI and developed a more relevant approach to calculate an accurate and representative target. This new approach is required due to increasing amounts of planned outages necessitated by growth in sustaining capital, maintenance and generator interconnection work on the system. BCTC recommends the target for F2010 be set using the outages planned in F2009 for maintenance and growth projects rather than using a five-year rolling average that does not reflect planned outages in the coming year.

In addition, BCTC will continue with its focus on continuous reliability improvement, including initiatives such as the development of new restoration planning criteria, the implementation of a 40-year Metro Vancouver Strategic Supply Plan and further incorporation of technologies into BCTC's new control centre.

Importance of the Measure
SAIDI provides BCTC with an assessment of BCTC's effectiveness in providing a high level of reliability in transmission service to customers. BCTC has implemented significant operational initiatives over the past five years, and continues to identify operational efficiencies that maintain reliability levels with its aging transmission assets. BCTC will achieve further SAIDI improvements through major capital investment, such as upgrading radial lines. BCTC's current capital plan includes five radial line upgrades, but these lines did not come into service during the period covered by this annual report.

Benchmark Comparison
Currently, the best benchmark for Canadian transmission reliability can be found in the Canadian Electricity Association's (CEA) annual study of the Bulk Electricity System (BES). The CEA's definition of SAIDI differs from BCTC's internal definition in three respects: the CEA uses a calendar year versus BCTC's fiscal year; the CEA includes generation source outages whereas BCTC does not; and CEA's calculation includes only unplanned outages while BCTC SAIDI includes both planned and unplanned outages.

The most recent benchmarking results for comparison are from the CEA BES study for F2008 (based on calendar year). For the CEA BES benchmarking study, BCTC reports a SAIDI value of 2.83 hours, compared to the CEA composite (weighted average) result of 1.3 hours.

A number of factors can contribute to the variability of SAIDI across companies, including geography, climate, system age, or the impact of significant events such as weather. Without normalizing for these factors, the peer-to-peer benchmarking comparison becomes very challenging.

Data Source/Reporting Period
BCTC Reliability Database Management System (RDMS) - April 1, 2008 to March 31, 2009. To mitigate potential data limitations, BCTC continues to carry out the Reliability Data Management Project, which began in May 2006. The project aims to ensure consistency and accuracy of reliability indices.

MEASURE 2: Total Transmission Expenditures per GWh x km

BCTC calculates this efficiency measure by dividing total transmission operation, administration, maintenance, and sustaining capital expenditures, by the product of the amount of energy transmitted and the length of the transmission network. BCTC will measure annual performance by the percentage variance between actual results and the approved budget established at the beginning of the year.

Measure	Actual				Target			Results
	F06	F07	F08	F09	F09	F10	F11	
Total Transmission Expenditures per GWh x km actual variance to plan (%)	14.27%	5.21%	-0.21%	**-2.22%**	n/a	+/-5%	+/-5%	**n/a**

Performance Analysis
Beginning this fiscal year, based on recommendations presented in BCTC's Performance and Benchmarking Review, OMA Actual against Plan has been replaced by the Total Transmission Expenditures per GWh x km. This measure addresses BCTC's contribution to competitive electricity rates through prudent management of transmission capital and operating expenditures. Over the coming year, BCTC will seek to benchmark its performance on this measure against other industry participants, particularly the CEA.

Importance of the Measure
The measure addresses BCTC's contribution to competitive electricity rates through prudent management of transmission capital and operating expenditures. BCTC strives to avoid cost overruns and to enforce discipline in budgeting.

Benchmark Comparison
BCTC reports this measure as part of CEA's benchmarking studies. CEA has initiated a process to improve comparability by addressing variation in data quality and calculation methods. BCTC will continue to participate in CEA activities and will consider adjusting its performance measures if necessary.

Data Source/Reporting Period
The Total Transmission Expenditures per GWh x km measure will be governed by detailed plans and budgets created by BCTC, approved by the Board annually and submitted to and approved by the BCUC.

GOAL 1: Operational Excellence

Continuous improvements to everything BCTC does to manage the transmission system in a safe, reliable, and cost-effective manner.

MEASURE 3: Lost-time Accidents

BCTC's safety measure has two equally weighted components: the number of lost-time accidents involving BCTC employees and the number of contractor lost-time accidents. A lost-time accident occurs when at least one day of work is missed after the date of an accident.

Number of BCTC Lost-time Accidents – This measures all lost-time accidents, whether preventable or not, affecting BCTC employees. The measure supports the fundamental BCTC objective of employee safety.

Number of Contractor Lost-time Accidents – This measures lost-time accidents for BCTC direct contractors and BC Hydro Field Operations personnel who work on BCTC transmission projects. Starting in F2008, subcontractors to BC Hydro were included in this measure.

Measure	Actual				Target			Results
	F06	F07	F08	F09	F09	F10	F11	
Lost-time accidents:								
• BCTC	0	0	0	**1**	0	0	0	**Did not meet target**
• Contractors	18	6	17	**6**	20	15	15	**Met target**

Performance Analysis

This year, BCTC met its target for contractor safety; however, three of the six contractor safety incidents were fatalities. On May 13, 2008, a helicopter carrying two BC Hydro employees crashed in Cranbrook while on a routine transmission line patrol. The pilot, a pedestrian, and both BC Hydro employees were killed. BCTC takes these incidents very seriously and will continue to work with contractors to improve safety performance.

BCTC has modified the measure going forward to reflect the severity of these incidents. Any contractor fatalities in a year will result in the contractor safety target being missed. In addition, compared to the previous Service Plan target of 20 incidents, BCTC has reduced the target to 15. The new target reflects the volume of work performed by contractors, as well as the record experienced in prior years.

During F2009, a BCTC employee accident precluded BCTC from meeting its target for employee safety. In April 2009, an employee struck his head on a seismic re-enforcement beam in a conference room at BCTC's Fraser Valley office. The room has since been reconfigured to avoid recurrence and the Fraser Valley office has undertaken a building-wide assessment to identify and mitigate any other hazards.

Importance of the measure

This measure supports the fundamental objective of safety at BCTC, and is consistent with the definition of lost-time accidents used by WorkSafe BC. BCTC is fostering change in the industry by reporting contractor safety performance to the CEA. This acknowledges the role of contractors in BCTC's business and continues to translate BCTC's safety principles into action.

Benchmark Comparison

The CEA tracks safety performance metrics. BCTC submits annual performance results to the CEA on the following industry-wide metrics: all injury frequency rate, lost-time injury frequency rate and lost-time injury severity rate. At the time of publishing this annual report, the CEA members' composite performance results were not yet available.

BCTC will be transitioning to a new safety measure in F2011. The All Injury Frequency Rate will comprise the total number of fatalities, lost-time injuries, and medical treatment injuries that occur over the year, calculated per 200,000 hours of work time annually. The measure will provide a more accurate assessment of the amount of safety incidents based upon the amount of work performed. It can also be benchmarked against other CEA utilities.

Data Source/Reporting Period

CEA 2008 Safety Incidents Statistics Report. These statistics are reported on a calendar year basis. Potential limitations of data may include human error in calculation or review of components of the measure. Limitations in data for this measure could include missed or inaccurate recording of a lost-time accident, particularly for contractors and subcontractors.

MEASURE 4: Reportable Environmental Incidents

This measure tracks BCTC's environmental performance against the environmental standards and regulations set by various regulatory agencies.

Measure	Actual				Target			Results
	F06	F07	F08	F09	F09	F10	F11	
Reportable Environmental Incidents	12	13	9	**12**	10	19	19	**Did not meet target**

Performance Analysis

This year, BCTC did not meet its target for reportable environmental incidents. As a result of unforeseen revisions to the Federal Polychlorinated Biphenyls (PCB) regulations enacted in September 2008, unexpected reporting requirements were introduced which were not contemplated in the setting of BCTC's Reportable Environmental Incident target for F2009. In light of the new regulations, BCTC will conduct an asset condition assessment to mitigate issues related to oil-filled equipment with varying PCB concentrations. BCTC will identify actions to mitigate releases, monitor leaks and prioritize equipment for repairs or replacement which will respond to the new regulations. BCTC has also adjusted the target for this measure to reflect an expectation of increased number of reportable environmental incidents due to more stringent PCB criteria.

Importance of the Measure

The measure focuses BCTC on minimizing environmental incidents, reflects BCTC's guiding principles for environmental responsibility and supports the 2007 Energy Plan's focus on environmental leadership.

Benchmark Comparison

The CEA environmental benchmarking studies measure the volume of spills, not the frequency of reportable incidents, making a direct comparison challenging. Adding to this issue, standards for environmental incident reporting can vary by province. As a result, BCTC uses historical performance data and root cause analysis to determine areas for improvement.

Data Source/Reporting Period

BCTC monitors and reports any incidents according to provincial and federal environmental reporting requirements. The reports provide a source of data with which to analyze BCTC's performance on this measure. In addition, as BCTC's primary service provider, BC Hydro reports on its environmental compliance measure separately. All incidents are reported on a fiscal year basis. Limitations in data for this measure could include missed or inaccurate recording of an environmental incident.

Operational Excellence ···O Achievements

Improving System Reliability

Ensuring transmission system reliability is a top priority for BCTC. During F2009, BCTC completed the majority of work on the installation of a third transformer at the Cathedral Square substation in downtown Vancouver, with the goal of increasing the reliability of existing electrical infrastructure and addressing growing demand for power in the downtown core. The new transformer is scheduled to be in service in July 2009. The failure and subsequent repair of one of the two transformers in place at Cathedral Square in July 2007 highlighted the critical importance of updating and replacing aging assets on BC's electricity grid. For more information:

The government's 2007 Energy Plan identifies technology as being a key piece of its climate change and sustainability agenda. BCTC filed its Transmission Technology Roadmap with the provincial government and the BCUC in F2009, and began preparing its System Operations Technology Strategy. These two documents look at key transmission and operating technologies that will affect the system over the next 10 to 20 years. For more information:

Also included in the Energy Plan is a policy action to "ensure that the province remains consistent with North American transmission reliability standards." BC is among a number of Canadian jurisdictions where reliability standards are now required by legislation and the government's recent changes to the *Utilities Commission Act* recognize the North American Electric Reliability Corporation (NERC) and the Western Electricity Coordinating Council (WECC) as standard-making bodies. BCTC has completed a review of NERC's and WECC's reliability standards and has provided the BCUC with a report assessing any adverse impact of the standard on the reliability of electricity transmission in BC if the standard is adopted. The BCTC report also addresses the suitability of the reliability standard for BC, and the potential cost if the standard were adopted. BCTC filed its assessment report in March 2009 and anticipates a BCUC decision in F2010. For more information:

BCTC completed its comprehensive transmission system loss reduction study in F2009, in support of the government's Energy Plan conservation goals. BCTC continues to implement changes across the system to mitigate energy losses, which can come from within the power delivery system itself (for example, as a result of remote generation and long transmission lines) or through metering inaccuracies, theft, and consumption used for operations.

Phase one of BCTC's Program Management Improvement project was completed in F2009, with the goal of evaluating BCTC's current maintenance and capital management processes and tools against industry best practices. Following the assessment, BCTC identified a number of opportunities for improvement. Over the next 12 months, BCTC will implement a number of "quick wins" and short-term solutions, with further changes scheduled over the next 24 months.

Adopting International Financial Standards

BCTC launched its International Financial Reporting Standards (IFRS) project in the fall of 2008, to meet the Canadian Accounting Standards Board requirement to converge to international accounting standards for fiscal year starting April 1, 2011. BCTC completed the planning and diagnostic phase of this project in January 2009. When compared to BCTC's current Generally Accepted Accounting Principles (GAAP) practices, BCTC has identified for further assessment key financial accounting and reporting differences that could affect the shareholder, transmission rates, business operations and information systems. BCTC, in collaboration with other regulated utilities in BC, offered an IFRS training and awareness course to stakeholders in early April 2009. BCTC is also working with the Province and other Crown corporations to assess the impacts of IFRS on public sector reporting.

In addition to the IFRS project, BCTC will be launching a three-year program to improve the efficiency and effectiveness of financial processes and systems across the organization. Detailed program planning began in F2009 and BCTC will carry out financial process improvement initiatives on a priority basis over the next three years.

Improving Environmental and Safety Performance

BCTC launched its Climate Change Response Program in F2009, undertaking a number of actions to promote awareness of climate change and reduce greenhouse gas emissions, with the goal of making BCTC carbon neutral by 2010.

To support longer-term and more substantial emission reductions, BCTC implemented the BCTC POWER (Plan for Office Waste Elimination and Reduction) initiative to achieve reductions in office supplies and energy use over the next several years. The goal of the POWER program is to develop, evaluate and implement a list of initiatives to help reduce the burden of BCTC's Bentall office on the environment. Initiatives include turning off computers and overhead track lighting each night or when not in use, recycling as much material as possible, proofing documents onscreen instead of printing them, and using 100 percent recycled paper.

BCTC continued to make significant progress on improving the asset management elements of its Rights-of-Way Sustainment Program and created a Land Management department, recognizing the strategic importance of rights-of-way as one of BCTC's most important assets. Creation of the department clearly demonstrates to employees, First Nations, stakeholders and regulatory agencies BCTC's commitment and accountability for land management.

BCTC also continued its circuit breaker replacement activities in F2009, replacing aging equipment and reducing sulphur hexafluoride (SF6) emissions as a result. SF6 is an insulating gas used in high-voltage switchgear. The gas has a very high global warming potential and contributes to BCTC's greenhouse gas emissions. BCTC's circuit breaker equipment replacements achieve significant reductions in greenhouse gas emissions and support the province's 2010 Carbon Neutral Objective. BCTC estimates it will reduce emissions by 7,800 tons of Carbon Dioxide equivalent as a result of its circuit breaker replacement program.

In F2009, BCTC supported spotted owls (an endangered species protected under BC Wildlife Act) by implementing a captive breeding program; plans are to begin releasing owls in F2010 in areas around proposed route alignment for the Interior to Lower Mainland Transmission (ILM) project. Also in F2009, BCTC planted 189,000 shoots of sub-tidal eel grass as part of the marine fish habitat plan for the Vancouver Island Reinforcement Transmission (VITR) project. BCTC will continue to monitor the beds for the next four years, as one of more than 200 environmental commitments made as part of the VITR project.

BCTC continues to be one of only a few Canadian utilities tracking the safety performance of contractors. In F2009, BCTC continued to focus on improving contracting oversight practices and contractor safety management within vegetation management. The training supported the expectations and responsibilities mandated in BCTC's Safety Management System.

Looking Ahead

In F2010, BCTC will focus on identifying specific areas for reliability improvements on the system, demonstrating fiscal prudence and efficiency in all aspects of its business, and confronting environmental challenges with ingenuity.

BCTC will work with the CEA to help develop a consolidated industry report highlighting the sustainability reporting for the Canadian electricity industry using the Global Reporting Initiatives (GRI) Sustainability Reporting Metrics. The GRI is recognized as a globally accepted standard for environmental and social reporting. It provides guidance on sustainability metrics and reporting practices to enhance relevancy, transparency and comparability of data.

Radial power lines deliver electricity to remote areas across the province and, in part because of the difficulty to access these lines during outages, often contribute disproportionately to BCTC's SAIDI performance. BCTC will begin developing a radial delivery points strategy in F2010 to assist BCTC in determining when to reinforce a radial system based on reliability benefits to customers, costs, improvements on SAIDI performance for BCTC, and criticality of load (considering factors like size, load and economic importance). In F2010, BCTC will advance plans for five radial line upgrades to be completed over the next several years.

BCTC will also advance several key initiatives to improve reliability of the grid in urban centres. The Cathedral Square substation project in downtown Vancouver addresses some of the issues around improving reliability and preparing to meet increased demand in Metro Vancouver. In addition, BCTC and BC Hydro are jointly developing a strategic plan to address reliability issues for Metro Vancouver, such as restoration of service levels after power outages, justification for a new Metro Vancouver substation, and emergency restoration plans.

Continuing to build its reputation as a globally recognized transmission utility, BCTC will continue work in F2010 to install the first Distribution Management System (DMS) in North America. This system is necessary to facilitate the deployment and enhancement of BC Hydro's Smart Grid initiative. The DMS is a set of power distribution system monitoring and control technologies that help to improve system reliability and efficiency. The DMS allows BCTC to enhance the distribution operation services it provides to BC Hydro.

Technology is a key supporting strategy at BCTC. BCTC is developing an Information Management Strategy with a goal to better manage and integrate data and information from BCTC's three main technology types (business technologies, system operation technologies, and transmission technologies) in order to ensure BCTC has an enterprise-wide view of information. The overarching goal of this program is to enable the organization to access needed information where and when required to support decision making at BCTC.

In F2010, BCTC will continue to enforce its safety standards through ongoing assessments, training and awareness with employees, contractors and members of the public who interface with the transmission system. BCTC will expand its successful pilot program developed for vegetation management contractors into other areas of the company. In addition, training sessions for staff and contractors are part of an ongoing effort by BCTC to enhance core competencies and accountability in BCTC's contractor management activities.

BCTC will improve the operational tools staff and contract managers use to evaluate the safety conformance and compliance of contractors and will provide additional training for construction and transmission line managers.

GOAL

GOAL 2: Market Access and Customer Service

Rationale for this Goal

Access to BC's transmission system provides benefits to electricity market participants and BC Hydro ratepayers, and it is BCTC's mandate to ensure the system is developed and used in an efficient manner that will help realize those benefits. BCTC's customer service efforts focus on all of its customers, including new and existing Open Access Transmission Tariff customers and BC Hydro tariff and non-tariff services.

Objectives

→ Support the development of electricity policies in BC and in the region.
→ Deliver on BCTC's commitments to customers, providing timely and efficient service.
→ Encourage greater integration of BC with the western markets.

Strategies

- Subject to BCUC approval, adopt and administer tariff changes to remain compliant with the Open Access Transmission Tariff.
- Facilitate new clean or renewable generation in BC by providing effective and efficient interconnection service for new generators being contracted through BC Hydro's clean power procurement process.
- Provide exemplary operational services to BC Hydro's generation and distribution lines of business under the respective service agreements and to BC Hydro's transmission-connected customers.
- Expand market services, such as Dynamic Scheduling and the Area Control Error (ACE) Diversity Interchange services.
- Actively participate in regional planning initiatives to identify opportunities to increase regional transmission capacity, including studies of expanded transmission between British Columbia and California.
- Participate in regional transmission planning initiatives, such as the Western Electricity Coordinating Council's Transmission Expansion Planning Policy Committee.
- Support British Columbia's participation in the Western Renewable Energy Zone process to identify renewable resource potential in the western region and to ensure the province's resource potential is recognized as conceptual transmission plans are developed to deliver the region's renewable energy to load centres.

Performance Measure

Stakeholder Satisfaction

This measure indicates BCTC's performance in satisfying the needs and meeting expectations of stakeholder groups. BCTC annually surveys key stakeholders to determine their awareness, impression and satisfaction with BCTC. Results show the percentage of stakeholders with a neutral, positive or very positive impression of BCTC.

Measure	Actual				Target			Results
	F06	F07	F08	F09	F09	F10	F11	
Stakeholder Satisfaction	91%	91%	87%	**89%**	89%	90%	90%	**Met target**

Performance Analysis

Completed in April 2009, BCTC's annual stakeholder survey reports on our performance over the past year. BCTC's corporate measure of stakeholder satisfaction is based on asking respondents to rate their overall impression of BCTC. Overall satisfaction (defined as positive or neutral responses) among commercial and government stakeholders increased approximately two percent from last year, from 87 percent to 89 percent. Commercial stakeholders – IPPs, wholesale transmission customers and industrial customers – displayed an increase in satisfaction from 83 percent in F2008 to 85 percent in F2009. Ninety-five percent of government stakeholders (provincial and municipal officials) expressed a positive impression of BCTC, which is an increase of three percent over F2008 results.

Importance of the Measure

Stakeholder survey results provide BCTC with direct feedback on its performance in meeting the needs of its customers and stakeholders. BCTC uses this information to refine corporate strategies and develop future initiatives.

Benchmark Comparison

Because of BCTC's unique business model, there are no comparable peers for benchmarking the stakeholder satisfaction measure. BCTC tracks its performance year over year and uses this historical measure to determine trends in stakeholder satisfaction.

Data Source/Reporting Period

TNS Canadian Facts conducted this year's stakeholder survey in March/April 2009. The survey tracks BCTC's performance in F2009. Stakeholder groups include BCTC wholesale and industrial customers, IPPs and provincial and municipal government officials. Data limitations for this measure may arise from the limited number of survey participants.

Market Access and Customer Service ····O Achievements

Supporting BC's Energy Vision

In its electricity policy and climate action strategies, the BC government continues to support long-term transmission planning and BCTC's important role in this activity. The *Utilities Commission Act*, which was amended last year and became law in May 2008, included provisions for an inquiry (under Section 5 of the Act) into the long-term transmission capacity and infrastructure needs for British Columbia. In F2009, BCTC supported the government in developing the terms of reference for this inquiry, which were issued in December 2008.

In F2009, BCTC applied to the BCUC for tariff amendments, which reflects industry direction to refine some of the open access principles. BC Hydro, and now BCTC, have both remained consistent with the open access rules since 1997, having found it to contain effective practices for the use of the transmission system in BC and for reducing barriers to efficient trade.

Serving Our Customers

During F2009, BCTC completed a number of activities to improve the processes for interconnection load customers. In F2010, BCTC, working with BC Hydro, will complete a review of the existing tariffs to identify opportunities to address any shortcomings. This past year, BCTC also implemented improvements to the processes involved in interconnecting new generation facilities. BCTC completed 82 transmission studies during the year using the new OATT tariff in response to BC Hydro's bio-energy and clean power calls, giving BCTC valuable first-hand experience with the tariff and the process.

BCTC is in the construction and commissioning phase on a number of interconnections projects. The Upper Stave/Kwalsa interconnection project, connecting approximately 146 MW of generation facilities in the Harrison Lake area, is scheduled for completion in May 2009. BCTC also expects the Bear Mountain Wind Farm, the first wind farm in the BC Hydro system, to be connected to the 138 kV transmission line between Chetwynd and Dawson Creek by July 2009. This $12 million project adds 100 MW of renewable energy to BC's electricity supply.

Leadership in Integrating Renewable, Low Carbon Energy

BCTC has taken a leadership role in developing innovative services for the regional marketplace. In F2009, BCTC continued to offer its dynamic scheduling services and examined potential opportunities to expand the program. Dynamic scheduling allows power marketers to sell energy services to Montana and California for managing short-term demand changes in these markets. Also, BCTC has been an industry leader in the development of a regional ACE Diversity Interchange (ADI) service. ADI pools momentary imbalances of generation and load from several control areas to reduce inadvertent generator movement. From the initial four participants, the program has grown to sixteen utilities and BCTC has gained recognition as a contributor to regional integration and cooperation.

Realizing the Regional Opportunities for BC

BCTC is involved in planning work groups to evaluate the implications to BC of potential transmission investments in the Western Region. BCTC participates in the Western Governors Association (WGA) and the United States Department of Energy four-phase Western Renewable Energy Zone (WREZ) initiative, launched in May 2008. Eleven states, British Columbia, Alberta, and the area of Mexico that is part of the Western Interconnection are participating in the initiative. The goal is to identify areas in the West that have utility-scale renewable energy resources, and expedite the development and delivery of those resources to meet regional energy needs.

The first two phases of WREZ are scheduled to be completed in the next 12 to 18 months, and will produce a series of maps showing where high quality renewable energy zones exist, as well as develop broad-based consensus on how these zones can be developed and connected to the transmission grid. Later phases will promote coordinated procurement of renewable power by load serving entities and the inter-jurisdictional cooperation needed to facilitate permitting and construction of transmission lines to the best and most economic zones.

In F2009, the BCUC approved BCTC's Transmission Upgrade Project, which will allow BC to add import capacity on the western US-BC intertie. BCTC estimates the proposed upgrade to cost approximately $3 million with projected revenues to BC ratepayers of more than $23 million annually.

Looking Ahead

BCTC will continue to participate in a number of initiatives aimed at expanding the system, improving access and gaining system efficiencies. In F2010, BCTC will complete the study work related to BC Hydro's Clean Energy Call. After that, BCTC will review its processes to find opportunities for improvements. For example, in overall land use planning, earlier insight into the IPP business development process would enable BCTC and the IPP to make better land use decisions. Similarly, BCTC believes there are ways to improve interaction earlier in the process between developers, BCTC and BC Hydro planners, in order to identify opportunities to develop optimum technology solutions.

In F2010, BCTC will be actively representing BC's interests in regional planning initiatives to identify opportunities to increase regional transmission capacity, including studies of expanded transmission between British Columbia and California. Also, BCTC will play a key role in the Long-term Electricity Transmission Inquiry which will be fully underway in F2010. BCTC will be providing submissions that will identify required transmission infrastructure investment over the next 30 years.

GOAL 3: Long-term Capacity Build-out

Rationale for this Goal

BCTC is responsible for managing British Columbia's transmission infrastructure and expanding that infrastructure to meet future needs. BCTC's service extends beyond providing open access in response to customer requests by becoming more aware of customers' requirements in advance of service requests. This acknowledges the different timeframes for developing transmission compared to generation, and anticipates the growth of transmission to realize electricity market opportunities.

Objectives

→ Ensure BCTC makes appropriate transmission investment decisions to meet the long-term needs of BC.

→ Deliver capital projects on time and on budget.

Strategies

- Advance work on major transmission infrastructure projects, including the Interior to Lower Mainland, the Central Vancouver Island and the Vancouver City Centre Transmission projects.
- Complete environmental studies and begin engaging First Nations and stakeholders regarding transmission upgrades in Northwest BC.
- File seven Certificate of Public Convenience and Necessity applications during the period covered by this annual report.
- Play a lead role in the upcoming BCUC inquiry into the province's long-term transmission needs and use the inquiry's findings to inform BCTC's Long-term Transmission Vision.
- Consider innovative transmission technologies in BCTC's long-term planning scenarios.

Performance Measure

Capital Projects

Projects Complete On/Under Budget – The capital cost measure of percentage of Projects Completed On/Under Budget is based on projects completed in a fiscal year and is calculated based on the actual project capital costs compared to the initial approved budget costs. A project is considered on/under budget if actual costs do not exceed the initial approved budget by 10 percent. Each completed project is weighted based on project cost ranging from "1" for actual capital costs less than $3 million, to "5" for actual capital costs over $100 million.

Critical Commitments On Time – The capital project schedule measure of percentage of Critical Commitments on Time has been initially defined as in-service dates met for all growth capital projects and those capital projects in BCTC's Service Level Agreement for Substation Distribution Assets.

Measure	Actual				Target			Results
	F06	F07	F08	F09	F09	F10	F11	
Projects Complete On/Under Budget	n/a	n/a	n/a	69%	n/a	69%	69%	n/a
Critical Commitments On Time	n/a	n/a	n/a	87%	n/a	87%	87%	n/a

Performance Analysis

Since both capital projects performance measures are new in F2009, BCTC will be evaluating them during the first year of implementation to ensure that the results are reflective of long-term capacity build-out performance; the measures encourage the right behavior; and that departments have detailed performance measures that support capital projects on time and on budget. Further work may be required to improve data quality, streamline reporting and refine the definition of these measures.

Importance of the Measure

During the 2008 Performance and Benchmarking Review, BCTC identified Long-term Capacity Build-out as one of key strategic priorities for the company. BCTC has adopted two performance measures to manage this strategic priority as a corporate performance measure. These measures evaluate the company's performance in executing capital programs against preset targets in its Capital Plan and are lagging indicators which support the delivery of capital programs on time and on budget.

Benchmark Comparison

BCTC will track its performance year over year using this time series measure to determine trends in long-term capacity build-out.

Data Source/Reporting Period

Currently the measure is based on projects completed in F2009 and is calculated based on the actual in-service date compared to the last approved in-service date. Potential limitations of data may include inaccurate recording of projects.

Long-term Capacity Build-out ----○ Achievements

BCTC is committed to expanding the provincial transmission system using innovative technology. A key focus for BCTC in F2010 will be preparing and developing a plan of the future transmission investment needed to support the province's environmental and economic strategies.

Delivering Transmission Investments to Meet BC's Needs

BCTC completed its $133 million System Control Modernization Project (SCMP) in F2009, one of the most significant capital investments ever made to the provincial transmission system and one of the most complex projects undertaken by a North American transmission service provider in recent years. SCMP enables BCTC to better manage the transmission grid by operating the system more reliably and closer to its limits and, as a result, BCTC will be able to provide increased transmission capacity to customers for years to come. This innovative approach to operating the transmission system earned BCTC a nomination for a prestigious industry award from the Edison Electric Institute.

SCMP began in F2005, and in F2009 the focus has been on introducing a new workforce model and redesigning the organizational structure of the System Operations department. The new organization and processes will improve on a legacy of excellence in operator training and development and ensures all industry mandatory reliability standards are implemented and met or exceeded. For more information:

The Vancouver Island Transmission Reinforcement (VITR) project was another complex project completed in F2009. The VITR project provides a reliable supply of power for more than 700,000 residents and businesses on Vancouver Island and the southern Gulf Islands. With awareness of and considerable efforts to address significant technical challenges and public opposition from some impacted stakeholders, BCTC employees and contractors successfully replaced and upgraded with new 230 kV infrastructure the existing 138 kV overhead transmission lines and one of the existing submarine cable circuits connecting southern Vancouver Island to the Lower Mainland. The VITR team of BCTC employees and contractors demonstrated a high level of professionalism throughout the project. For more information:

BCTC received BCUC approval for two major projects in F2009: the Interior Lower Mainland (ILM) project and the Central Vancouver Island (CVI) project. On August 5, 2008, the BCUC granted BCTC a Certificate of Public Convenience and Necessity (CPCN) to construct a 500 kV line between Nicola and Meridian expected to be in-service by 2015. BCTC filed an application for an Environmental Assessment Certificate for the project in October 2008. On February 18, 2009 the BC Court of Appeal issued its decision in the ILM project appeal, suspending the CPCN, stating that the BCUC ought to have considered the adequacy of First Nations consultation at the time the CPCN decision was made. The BCUC has recently initiated a process to assess the adequacy of consultation with First Nations as of the date of the CPCN. For more information:

The CVI project is necessary because load growth in Central and South Vancouver Island is causing the 138 kV transmission system to overload during high electricity demand periods. To ensure the transmission system on Vancouver Island continues to provide safe, reliable service, BCTC filed an application with the BCUC in May 2008 requesting approval to construct an estimated $91.4 million, 12 km transmission line expansion to the existing 230 kV system on Vancouver Island. BCTC expects the new transmission line and substation to be in-service by October 2010. For more information:

In F2009, BCTC continued advancing work on the Northwest Transmission Line, which involves construction of a new 287 kV line extending over 300 km from the Skeena Substation near Terrace to Meziadin Junction and north to a new substation at Bob Quinn Lake. This line would provide access to the system for new load customers and access to new renewable generation while supporting economic diversification in these northern communities. In 2007, the project was put on hold due to the suspension of construction of the Galore Creek Mine, the key anchor customer. Since September 2008, BCTC has continued with the environmental assessment process and First Nations consultation as a first step toward construction of the line. BCTC has a team in place and is ready to proceed once the province has secured a partnership to advance the project. For more information:

Looking Ahead

A key component of BCTC's long-term planning perspective will be a new 30-year Long-term Transmission Vision (LTTV) report. In addition to the outcomes from the Long-term Electricity Transmission Inquiry, the LTTV will also reflect BCTC's view on advanced technologies that will be incorporated into BC's electricity grid and long-term strategies for sustaining BC's existing assets. BCTC will also identify future rights-of-way for consideration in provincial land resource and community planning. In high-density areas, the strategic acquisition of rights-of-way could help to ensure transmission corridors are preserved or obtained. BCTC expects to complete its first LTTV report in fall 2010. For more information:

In F2010, BCTC will make applications for two infrastructure projects. The Vancouver City Central Transmission (VCCT) project will add a new substation and underground transmission infrastructure needed to meet load growth and reliability needs in the Mount Pleasant/False Creek area. With the Columbia Valley Transmission (CVT) project, BCTC is exploring several different alternatives to address load growth needs in the Golden area and expects to apply to the BCUC in late 2009. With both projects, BCTC consulted with stakeholders and First Nations over the past year to discuss the options and alternatives. For more information:

GOAL

GOAL 4: Relationships

Rationale for this Goal

BCTC places a high value on its relationships with stakeholders and First Nations, and considers these relationships critical to the company's success. This goal recognizes the importance of establishing the organization's credibility and position in the industry, both within BC and within the broader region. Strategies under Goal Four provide the building blocks that ensure BCTC succeeds in achieving its other goals.

Objective

→ Build open and constructive relationships with stakeholders and First Nations.

Strategies

- Sustain a positive, open and cooperative relationship with all BCTC stakeholders, including the BCUC, First Nations, customers, stakeholder groups and industry associations.
- Ensure BCTC reaches the communities where existing and future transmission system i. pacts are greatest.
- Build in First Nations and stakeholder considerations as early as possible in BCTC's planning and engagement activities.
- Develop positive relationships, promote business opportunities, and develop the business capacity of Aboriginal communities and businesses.
- Maintain effective communications with the Shareholder on BCTC's business objectives and operations.

Performance Measure

Measure	Actual				Target		Results
	F06	F07	F08	F09	F10	F11	
Stakeholder Satisfaction	As reported under Goal #2, Market Access and Customer Satisfaction						

Achievements

BCTC recognizes and respects the fact that its projects and operations may affect communities. One of the biggest challenges for BCTC, and for the electricity industry in general, comes from siting new transmission facilities, and in building public support for projects. Comprehensive and meaningful stakeholder involvement helps BCTC achieve a higher level of public acceptance for decisions.

In F2009, BCTC conducted activities ranging from information sharing and awareness building to relationship development to specific project consultation. More than 130 community relations activities were conducted including open houses, regular written and online communications, meetings and one-on-one sessions with stakeholders, First Nations and industry participants. In F2009, BCTC initiated community advisory committees on two projects. On the Saanich Peninsula Transmission project, a committee of community residents reviewed and provided input on proposed routing alternatives for a new transmission line. On the Mica 5 and 6 Capacitor Station project, an advisory committee comprised of area residents, including the public and First Nations, provided local knowledge and input into possible site preferences and environmental assessment decisions related to the placement of a capacitor station to support the proposed Mica Units 5 and 6 project being considered by BC Hydro. For more information

Through the Community Investment Program, BCTC seeks to help build strong, healthy and vibrant communities. In F2009, BCTC continued to support a wide range of BC based educational, environmental, safety and community development initiatives – this support totaled more than $340,000. BCTC also continued to provide $65,000 for undergraduate scholarships at universities and colleges in BC. For more information

Supporting Aboriginal Communities

BCTC is committed to developing positive and effective relationships with BC's Aboriginal peoples. BCTC works to increase mutual understanding and create long-term partnerships that will benefit BC's communities.

BCTC undertook a number of Aboriginal Relations activities in F2009 including developing communication materials about BCTC programs, created specifically for Aboriginal audiences. BCTC launched these materials at the BCTC-sponsored North American Indigenous Games in Cowichan on Vancouver Island in August 2008. BCTC continues to provide sponsorship, donations or in-kind support to Aboriginal programs and events throughout BC through its Aboriginal Relations Outreach Program. In F2009, BCTC supported math and science scholarships for school-aged children and provided more than $70,000 in funding to 28 Aboriginal initiatives.

BCTC began its participation in the BC Multi-sectoral Aboriginal Leadership Initiative in F2009, which brings together representatives from Aboriginal communities, the provincial and federal governments and corporate partners to work on social and/or economic development projects to benefit participating communities. By working on these projects together, the program seeks to build local capacity in leadership skills, management, communication, strategic planning, decision making, conflict resolution, and documentation.

BCTC is part of the Ahousaht Community Working Group, which has identified the rehabilitation of the Walk the Talk Side trail as their community project. The Ahousaht First Nation lives on Flores Island, off the west coast of Vancouver Island, about 45 minutes from Tofino. The partners and the community are currently working on a business plan that will examine the refurbishment of the trail as well as opportunities to expand First Nations-led eco-tourism initiatives. These opportunities include the potential for guided cultural tours, expanded water taxi services, carving demonstrations, and sale of indigenous art and food supplies.

BCTC, with a group of BC energy companies and utilities, launched a hands-on pre-trades training program specifically for First Nations in F2009. The BC Utilities Aboriginal Training Initiative will provide foundation skills and employment training to help BC's First Nations communities take advantage of growing opportunities for trades work in the energy sector. Training is delivered in First Nations communities and institutions with the support of the partner companies. Programs completed to date have been a pilot program with the Cowichan First Nation on Vancouver Island and a seven-week program with Seabird Island First Nation, with several others currently in development.

In F2009, BCTC awarded contracts to 14 Aboriginal businesses under its Aboriginal Business Development Program. For more information

Looking Ahead

BCTC has a reputation as a leader in the utility industry. The organization will continue its practice of collaborating and cooperating with industry peers, conducting ongoing research, and implementing industry best practices to maintain this leadership position. BCTC remains committed to continuous improvement on each one of its projects. The organization will continue to study public polling and follow trends on public attitudes toward siting infrastructure in order to deliver programs and communication to meet stakeholder needs. The overall goal of BCTC's public communication and consultation efforts is to increase public acceptance and support for transmission projects in order to support the completion of BCTC's overall capital program.

BCTC will continue its proactive media relations activities in F2010, with the goal of raising BCTC's profile throughout the province. In addition, BCTC will launch a program to showcase the company as a leader in innovation. Activities will include speaking opportunities, media opportunities, new communication material, and outreach to municipal and provincial opinion leaders. BCTC will also undertake a full website redesign project (pending funding approval) during F2011.

GOAL 5: Employees

Rationale for this Goal

In order to execute BCTC's mandate, the company needs to invest in the recruitment, renewal, development, and growth of employee capabilities. BCTC's intent is to improve its performance continuously by setting high goals, driving toward their achievement, and taking accountability for BCTC's actions and results. Strategies under Goal Five provide critical building blocks that ensure BCTC achieves its other objectives.

Objective

→ Attract, develop, and retain a highly skilled and engaged workforce.

Strategies

- Continue to expand the pool of available resources and increase effectiveness in sourcing those resources through connections with post secondary institutions and students, geographically expanding recruitment and utilizing contingent resources.
- Monitor current and anticipated workloads to ensure they are balanced against sufficient resources through a rigorous approach to business and strategic workforce planning.
- Enhance managers' capabilities in long-term strategic planning to identify budget, resource and operational impacts that can affect their ability to execute on corporate strategies.
- Develop internal resources by providing growth opportunities through development planning, rotational assignments, mentorship, succession planning, structured training for operators, engineers, and leaders, and cross-departmental communications.

Performance Measure

Employee Engagement

The Employee Engagement Index continues to be the key measure of employee satisfaction at BCTC. The index is the result of an annual employee survey that measures perceptions related to motivation, resource availability, capability and alignment to goals and strategies of the organization.

Measure	Actual				Target			Results
	F06 F05	F07 F06	F08 F07	F09 F08	F09	F10	F11	
Employee Engagement Index (max. score 5.0)	3.35	3.55	3.53	**3.61**	3.48	3.53	3.56	**Met target**

The F2009 target is calculated based on the five-year rolling average plus an improvement factor for calculating the next year's target.

Performance Analysis

The Employee Engagement Index rating was 3.61 out of 5, which surpasses the F2009 target and F2008 result of 3.53. Improvements were realized in all four underlying drivers of employee engagement: Alignment, Capability, Resources, and Motivation. This result demonstrates that actions taken to address concerns identified in F2008 have helped build overall employee engagement levels. Significant improvements identified by employees include: more effective resource utilization, communication of the refreshed vision and mission, encouraging more organizational communication, and control centre consolidation.

Importance of the Measure

Employee engagement is widely considered a key indicator for current and future employee performance and commitment. BCTC uses results of this measure to develop ongoing employee initiatives.

Benchmark Comparison

This year, BCTC transitioned the engagement survey to another vendor and therefore the Watson Wyatt WorkCanada Engagement Index benchmark is no longer available. BCTC is reviewing its new vendor's benchmarks and will continue to transition the survey over the next year so that appropriate external benchmarking data can be utilized.

Data Source/Reporting Period

TalentMap conducts the employee engagement survey in early March and results are available in April of each year. Data limitations for this measure may arise from the number of survey participants relative to the total number of BCTC employees. F2009 results are based on a 65% response rate.

Employees ----O Achievements

Attracting Employees

BCTC continued to focus on maintaining its employment brand, especially important in a competitive energy job. In addition, BCTC continued its outreach to young people and this year, supported the Bright Futures BC career awareness program. This program was launched in British Columbia high schools in March 2009 to raise students' awareness of the diverse and exciting career opportunities in the electricity sector. By building BCTC's profile and developing relationships with students when they are making critical decisions about post secondary studies, BCTC seeks to position itself as a future employer of choice amongst students.

Developing, Motivating and Retaining Employees

BCTC redesigned its employee benefit program for management and professional employees in F2009, with the goal of delivering the benefits employees want at the same time as balancing the costs to the organization. The demographic of BCTC's workforce has shifted significantly; benefits that once attracted and motivated employees do not resonate with BCTC's increasingly younger workforce. Following an employee survey in the fall of 2008, BCTC's Human Resources team created a number of new benefit program options, now being tested in employee focus groups. The new package will be ready for launch in late F2010.

With the Winter Olympic and Paralympic Games less than a year away, and the Games' anticipated impact on Vancouver becoming clearer, 10 BCTC employees participated in a six-month pilot project initiated by Translink to assess the feasibility and benefits of teleworking. BCTC participated in the project because it aligns with its commitment to sustainability and responds to employee feedback seeking support for greater work/life balance. The program measured the social and environmental impacts of teleworking, calculating the emissions reduced, travel time avoided and money saved, because of working from home. Over the course of the pilot project, BCTC employees reduced travel to work by more than 30,000 kilometers; saved 193 hours of commuting time; saved almost $4,000 in travel-related expenses; and reduced BCTC's carbon equivalent emissions by 2,800 kilograms.

BCTC implemented a phased retirement program in late F2009, providing employees with the option to ease into retirement rather than leave the workforce abruptly. The program enables BCTC to retain employees and their knowledge within the organization, enabling retiring employees to both transfer their knowledge and become mentors to the people succeeding them.

Looking Ahead

BCTC will continue to build its workforce culture and improve employee engagement in F2010 and beyond though a number of activities. The BC Transmission Academy – launched in 2004 to facilitate knowledge transfer for BCTC engineers through the development and delivery of technical courses – will move online in 2010. Since its beginning, the Academy has grown in parallel with new training and development initiatives such as the Engineer Development Program, Operator Apprenticeship Program, Integrated Leadership Development Program, and the New Employee Orientation. As a result, the Academy's mandate has broadened to meet the diverse professional development needs of BCTC's employees. Today, the BCTA offers both technical and non-technical training for all employees. For more information on the program:

BCTC also plans to launch an Alumni program in F2010, to keep connected with former BCTC employees, with the goal of providing support, opportunities and information. As in the phased retirement program, keeping in touch with alumni offers BCTC opportunities for knowledge transfer and mentoring of current BCTC employees.

Corporate Governance

BCTC's Board of Directors is responsible for the governance and stewardship of BCTC. The Board's role is to set and maintain corporate direction, review and approve BCTC's strategic plan, set corporate objectives, monitor performance against those objectives and ensure processes are in place to identify, monitor and mitigate substantial business risks. The Board is responsible for the full and timely disclosure of BCTC's financial and business performance, and for monitoring material developments that could have a significant impact.

BCTC's Board of Directors oversees an internal governance framework guided by six corporate principles. These principles reflect BCTC's core values and provide direction to the organization in carrying out business objectives:

- Corporate Governance
- Conduct Expectations
- Safety
- Environmental Responsibility
- Technology, Security and Business Continuity
- Workplace

In BC, public sector organizations are subject to the Governance and Disclosure *Guidelines for Governing Boards of British Columbia Public Sector Organizations*. These Guidelines set out governance principles and disclosure practices for public sector entities and the Board ensures that BCTC's governance framework and disclosures continue to comply with or exceed the expectations established in the Guidelines. For further information on BCTC's Corporate Governance practices, please see

The Board is committed to ensuring that BCTC behaves with integrity in all relationships. To assist directors and employees in knowing and understanding the standards of conduct that are expected of them, the Board has developed and publicly discloses a Code of Ethics for the organization. No waivers were granted by the Board under the Code of Ethics in F2009.

Board of Directors

The Board has four standing committees: the Audit Committee, Human Resources, Safety and Environment Committee, Capital Review Committee and Corporate Governance Committee. Terms of reference for the Board, its committees, the Board Chair, President and Corporate Secretary are disclosed on BCTC's website ( ) and accompanied by director and executive biographies. In F2009, the Board also formed an ad-hoc Executive Search Committee. The mandate and membership* of each Committee is as follows:

Audit Committee

Supports the Board in fulfilling its obligations and oversight responsibilities relating to the audit process, financial reporting, internal controls, relationships with the external and internal Auditors, governance of BCTC's pension plan and oversight of BCTC's enterprise risk management framework.
Members: *John Gill (Chair), Joanne McLeod, O'Brian Blackall*

Human Resources, Safety and Environment Committee

Provides guidance in the development of human resource policies to ensure BCTC is successful in attracting and retaining the resources needed to execute BCTC's mandate. Also responsible for monitoring BCTC's safety and environmental matters.
Members: *Ralph Winter (Chair), Bev Park, Margot Northey*

Capital Review Committee

Supports the Board in the discharge of its responsibilities relating to BCTC's capital planning activities, budgets and projects.
Members: *Joanne McLeod (Chair), Richard Campbell, Bev Park*

Corporate Governance Committee

Provides advice and recommendations relating to corporate governance, including the assessment of and recommendations for ensuring the effectiveness of the Board, its committees and all governance processes. Also oversees the procedures and disclosure practices for managing director, officer and employee conflicts of interest.
Members: *Nicole Byres (Chair), Richard Campbell, Gerald Wesley*

Executive Search Committee (ad-hoc)

Supports the Board in the discharge of its responsibilities relating to senior executive recruitment.
Members: *Ralph Winter (Chair), Nicole Byres, Margot Northey*

* David Emerson serves as an ex-officio member of all Board Committees.

Directors and Officers (as at June 2, 2009)

Board of Directors

David Emerson
Chair

Bob Reid

O'Brian Blackall

Nicole Byres

Richard Campbell

John Gill

Joanne McLeod

Margot Northey

Bev Park

Gerald Wesley

Ralph Winter

Corporate Officers

Janet Woodruff
Interim President

Janet Fraser
Interim CFO

Bruce Barrett
VP, Major Capital Projects

Martin Huang
VP, System Operations

John Irving
VP and General Counsel

Doug Little
VP, Customer and Strategy Development

Julius Pataky
VP, System Planning and Asset Management

Darlene Kennedy
Interim Director Human Resources

Andrea Johnston
Controller

Diana Stephenson
Corporate Secretary

Financials 2009

April 1, 2008 – March 31, 2009

Management's Discussion and Analysis

Management has prepared a discussion and analysis of British Columbia Transmission Corporation's (BCTC) business operations and significant events that have affected the results of operations and financial position for the year ended March 31, 2009 (F2009) relative to the same period last year (F2008) and to the Service Plan published in January 2008 (F2009 Plan). References to transmission system and assets contained in this discussion and analysis include those systems and assets which BCTC plans, builds, operates and manages, which are owned by BC Hydro, in addition to BCTC's assets. This management's discussion and analysis should be read in conjunction with the audited financial statements and the accompanying notes. These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and are expressed in Canadian dollars.

Management has included forward-looking statements, including statements regarding the business and anticipated financial performance of BCTC. These statements are subject to a number of risks and uncertainties that may cause actual results to differ from those contemplated in the forward-looking statements. This management's discussion and analysis has been prepared based on information as at June 2, 2009.

Financial and Business Overview

BCTC is responsible for planning, building, operating and maintaining the high-voltage electricity transmission system owned by BC Hydro. BCTC is a Crown corporation regulated by the British Columbia Utilities Commission (BCUC). The Minister of Energy, Mines and Petroleum Resources is the Minister responsible for BCTC.

BCTC's mandate is to ensure fair and open access to the transmission grid and create value and new opportunities for our customers and other stakeholders by providing safe, reliable and cost-effective transmission services. In February 2007, the provincial government released *The BC Energy Plan: A Vision for Clean Energy Leadership*. BCTC plays a key role in delivering on the objectives of the Energy Plan. BCTC supports the achievement of government's objectives by ensuring needed transmission infrastructure is constructed to integrate new clean or renewable generation on a timely basis.

($ in millions)	F2009 Actual	F2008 Actual	F2007 Actual
Net Income	$ 7.1	$ 3.2	$ 3.1
Total Assets	178.0	186.1	146.5
Debt	73.5	85.9	37.0
Shareholder's Equity	51.3	43.8	40.6
Debt to Equity Ratio*	65:37	58:42	48:52
Transmission Capital Expenditures			
Assets Owned by BCTC	18.7	70.1	50.4
Transmission Assets Owned by BC Hydro	376.1	203.0	183.8
Total Capital Expenditures	$ 394.8	$ 273.1	$ 234.2
Point-to-Point Sales Volume (GWh)			
Long-term	10,977	8,710	5,958
Short-term	12,457	12,922	14,087
Full Time Equivalents (FTEs)**	401	384	360

* Debt to Equity Ratio is calculated based on the average of the opening and closing balances. Debt is defined as short-term and long-term debt, obligations under capital lease less short-term investments. The deemed capital structure as per Special Direction No. 9 is 59.3 debt to 40.7 equity.

** FTEs are defined as regular employees at March 31 of each year.

Management's Discussion and Analysis

During the past fiscal year, BCTC has continued to make significant investment in its capital program which contributed to the electricity needs of the province. At the same time, BCTC remained fiscally responsible by managing and monitoring all discretionary costs. Investment in transmission assets continued to grow and $394.8 million of capital expenditures were made in F2009 to meet the growing demands for electricity, maintain and enhance the existing transmission assets and update obsolete technology. Several large capital projects were in progress during the year including:

The *Vancouver Island Transmission Reinforcement* (VITR) project involved the installation of a new 230kV submarine cable circuit from the Lower Mainland to Vancouver Island and was placed in-service in December 2008. The new circuit allows peak demand to be met on Vancouver Island, accommodates growth requirements and replaced existing transmission circuits which reached end of life. Total F2009 expenditures were $170.9 million and the total project cost to March 31, 2009 is $282.2 million. Total cost of the project is forecast to be $302.4 million including trailing costs expected to be paid in F2010. BCTC is working with its supplier on a non-conformance issue related to two of the VITR submarine cables. Sufficient funds to correct this non-conformance are being withheld from payments to the supplier pending a resolution.

The *Interior to Lower Mainland* (ILM) project is required to reinforce the transmission system from BC's Interior to the Lower Mainland, with an estimated in-service date of October 2014. Total F2009 expenditures were $13.7 million and the total project cost to March 31, 2009 is $28.2 million. Total cost of the project is forecast to be $602.1 million. This reinforcement will meet anticipated growth requirements for electricity in the Lower Mainland, ensure existing transmission commitments are met, and transport electricity from increased generation anticipated from projects planned in the Southern Interior. A Certificate of Public Convenience and Necessity (CPCN) from the BCUC was received in August 2008. An application for an Environmental Assessment Certificate was filed with the BC Environmental Assessment Office in October 2008. The application review process is currently in progress. On February 18, 2009, the BC Court of Appeal issued its decision in the ILM project appeal, suspending the CPCN, stating that the BCUC ought to have considered the adequacy of First Nations consultation at the time the CPCN decision was made. The BCUC has recently initiated a process to assess the adequacy of consultation with First Nations as of the date of the CPCN.

The *Central Vancouver Island* project consists of a new 230/138 kV substation near Nanaimo and a new 12 km double-circuit 230 kV transmission line connecting the new substation to the existing lines between the Dunsmuir and Sahtlam substations. The project will relieve the near-term system overloads and provide for the future needs of this rapidly growing region. This project received a CPCN from the BCUC in December 2008.

BCTC continues to experience increasing activity related to generator and load interconnection requests. Of the 20 Independent Power Producers (IPPs) identified from BC Hydro's 2006 Call for Tender, nine have signed Facilities Agreements. In F2009, $49.2 million was spent on IPP projects.

In November 2008, BCTC filed an Application to amend its Open Access Transmission Tariff (OATT) with the BCUC. The BCUC then established a regulatory process to review parts of the Application through a written process and part through an oral hearing. The BCUC process is expected to conclude in the summer of 2009.

In December 2008, the BC government issued terms of reference for a BCUC-led inquiry into determining province-wide electricity transmission needs for BC over the next 30 years. The inquiry will focus on the infrastructure and capacity requirements that will potentially be developed through the most cost-effective and most probable sequence of development by geographic area.

BCTC continues to manage its operating costs in a prudent manner. Operations, maintenance and administration (OMA) expenses increased from the prior year, reflecting continued business growth. The number of employees grew by 17 employees to support the increased level of interconnection and facilities study requests and to support the maintenance and capital growth of the transmission system.

Results of Operations

Results of operations for the years ended March 31, 2009 and March 31, 2008 are summarized below.

($ in millions)	F2009 Actual	F2008* Actual	Variance
Revenues			
Tariff	$ 89.9	$ 68.5	$ 21.4
Asset management and maintenance fee	90.9	87.3	3.6
Non-tariff	57.0	46.1	10.9
Total Revenue	**237.8**	**201.9**	**35.9**
Expenses			
OMA	206.7	186.1	(20.6)
Depreciation	19.7	14.4	(5.3)
Cost of market and other asset related costs	9.2	6.3	(2.9)
Total Expenses	**235.6**	**206.8**	**(28.8)**
Income (Loss) from Operations	2.2	(4.9)	7.1
Other income	0.1	3.8	(3.7)
Income (Loss) before Deferral Accounts Transfers	2.3	(1.1)	3.4
Deferral Accounts	4.8	4.3	0.5
Net Income	**$ 7.1**	**$ 3.2**	**$ 3.9**
Other comprehensive income	0.3		0.3
Net Income	**$ 7.4**	**$ 3.2**	**$ 4.2**

* Reclassification of capital overhead billings from OMA to Revenue

F2009 Actual versus F2008 Actual

Net income for the year ended March 31, 2009 is $7.1 million compared to $3.2 million for the same period last year. This increase is primarily due to higher tariff revenue as a result of a transmission rate increase required to recover the costs associated with the new system control centres and operating cost increases. This, along with higher study revenues, had a positive impact on net income which was partially offset by higher operating costs.

Results of Operations (continued)

Tariff Revenues

BCTC earns revenues for transmission services provided under its Open Access Transmission Tariff (OATT). Tariff revenue is BCTC's share of the revenue collected for network integrated transmission services, point-to-point (PTP) and ancillary services under the OATT. The 14.36% and 85.64% (F2008 – 11.37% and 88.63%) split between BCTC and BC Hydro respectively for network and PTP services is based on the Negotiated Settlement Agreement (NSA), as approved by BCUC Order No. G-105-08 for BCTC and approved interim rates for BC Hydro. BCTC and BC Hydro's respective shares of the OATT revenue are recorded in the individual companies' financial accounts. The following table shows the total tariff revenues billed under the OATT during F2009:

($ in millions)	Tariff Revenue Billed under BCTC's Tariff	BC Hydro's Revenue	BCTC's Revenue
Network Integrated Transmission Services	$ 486.8	$ 418.5	$ 68.3
Point-to-Point (PTP) Services			
Long-term	60.3	51.8	8.5
Short-term	4.8	4.1	0.7
Ancillary Services	8.7	-	8.7
Total OATT Revenues	**560.6**	**474.4**	**86.2**
FortisBC General Wheeling Agreement	3.7	-	3.7
Total Tariff Revenues	**$ 564.3**	**$ 474.4**	**$ 89.9**

The BCUC issued Order No. G-16-09 on March 13, 2009 relating to the BC Hydro F2009/F2010 Revenue Requirement Application. This directed BC Hydro to file a compliance filing with revised interim F2009 rates that reflect the directives in the BCUC's Decision. At a future date, a second compliance filing will be required to finalize F2009 rates on the basis of a future BCUC Decision and Order on BC Hydro's 2008 Long-Term Acquisition Plan (LTAP). BCTC's rates for F2009 remain interim since April 1, 2008, as the BCUC Order also requires that F2009 rates not be finalized until the BCUC reaches a decision on BC Hydro's 2008 LTAP. It is anticipated that the difference between the two F2009 interim rates for the period April 1, 2008 to March 31, 2009 will be refunded, with interest, to customers at the beginning of June 2009.

BCTC's tariff revenue billings for F2009 were $564.3 million (F2008 - $512.0 million), an increase of $52.3 million from prior year. This was primarily driven by higher Network Integrated Transmission Services revenue due to a higher rate approved by the BCUC and higher revenue from long-term PTP services due to new long-term contracts. This is partially offset by a decrease in short-term PTP revenue due to lower rates.

Of BCTC's total OATT revenue of $86.2 million (F2008 - $65.0 million), $76.8 million (F2008 - $59.5 million) was earned from BC Hydro.

Non-tariff Revenues

Non-tariff services are largely related to services provided to BC Hydro under Service Level Agreements (SLAs), including the Asset Management and Maintenance Fee, and other non-tariff services.

Non-tariff revenue of $147.9 million (F2008 - $133.3 million) is $14.6 million higher than the prior year. This was primarily due to a $4.8 million increase in overheads recovered on BC Hydro Transmission Line of Business capital projects, an increase of $3.6 million related to the BCUC-approved Asset Management and Maintenance Fee from BC Hydro, and an increase of $2.9 million in revenue from BC Hydro for services related to generation-related transmission assets. Revenue from engineering and project management services also increased in F2009, as did study revenues related to new generator interconnection activity. Increased revenue year over year was partially offset by the recovery in F2008 of $2.3 million project development costs from BC Hydro which did not reoccur in F2009. Non-tariff revenue also includes investment income which has decreased from prior year due to lower investment balances and lower interest rates.

Operations, Maintenance and Administration Expenses (OMA)

OMA expenses consist of internal and external resources deployed to execute annual work programs and special initiatives. OMA costs increased to $206.7 million from $186.1 million in F2008. Of the $206.7 million, $38.7 million (F2008 - $30.3 million) are flow through recoveries of costs related to capital overhead, studies work, and other services for BC Hydro.

BC Hydro's Field Operations and Engineering Services provide asset maintenance and engineering services to BCTC in accordance with SLAs. During F2009, BCTC incurred $63.8 million and $10.3 million (F2008 - $61.6 million and $12.4 million) of Field Operations and Engineering Services costs respectively.

OMA expenses are shown in the table below.

($ in millions)	F2009 Actual	F2008* Actual	Variance
Operations	$ 52.2	$ 45.9	$ (6.3)
Maintenance	112.9	107.1	(5.8)
General and Administration	41.6	33.1	(8.5)
Total OMA	**206.7**	**186.1**	**(20.6)**
Less: Transfers to Deferral Accounts			
Emergency Maintenance	(3.1)	(3.9)	(0.8)
Regulatory	(0.7)	(0.4)	0.3
IFRS	(0.2)		0.2
Section 5 Inquiry	(0.1)		0.1
OMA Net of Deferrals	**$ 202.6**	**$ 181.8**	**$ (20.8)**

* Reclassification of capital overhead charge from OMA to Revenue.

Operations costs relate to system planning, the real-time operation of the transmission system, market operations and administration. Operations costs increased by $6.3 million from prior year primarily due to an increase in System Control Modernization Project (SCMP) relocation and communication costs, higher expenses related to the Clean Energy Call, and higher labour costs associated with headcount and salary increases.

Maintenance costs relate to the asset management and maintenance of BC Hydro's $3.0 billion transmission system and station assets. The increase in F2009 of $5.8 million over the prior year is primarily due to higher station and transmission line costs, higher labour costs associated with headcount and salary increases, and higher emergency and vegetation maintenance costs. These increases are partially offset by savings in F2008 non-recurring project costs.

Emergency maintenance costs included in total maintenance totalled $6.2 million (F2008 - $5.9 million) primarily for major repairs to a submarine cable at Cape Cockburn, a rotator fire at Kennedy Substation, and theft and vandalism. $3.1 million of emergency maintenance costs have been transferred to the emergency maintenance deferral account and BCTC will be seeking BCUC approval for recovery of these deferred costs in F2010.

General and Administration costs include strategic management, financial governance and oversight of BCTC business operations as well as enterprise-wide support services for the organization and its service providers. The increase of $8.5 million over the prior year is primarily due to higher labour and technology costs, higher regulatory expenses related to the preparation of the application to amend the OATT, and costs related to BCTC's regional initiatives.

Results of Operations (continued)

Other Income

Other income comprises the equity portion of the Allowance for Funds Used During Construction (AFUDC). The decrease of $3.7 million in F2009 is due to lower capital expenditures following the completion of the SCMP project.

Deferral Accounts

BCTC maintains regulated deferral accounts as approved by the BCUC. The deferral accounts accumulate the difference between the BCUC-approved amounts and the actual tariff revenues, cost of market and certain operating expenses for recovery from or refund to customers in a future time period. There were two new deferral accounts approved by the BCUC in F2009 to capture costs related to the implementation of International Financial Reporting Standards and the Long-term Electricity Transmission Inquiry. In F2009, the net variance from all these deferral accounts resulted in the recording of a regulatory deferral asset that increased the net income reported by $4.8 million (F2008 - $4.3 million).

Each deferral account accrues interest monthly on the balance recorded in the deferral account. The interest is based on BCTC's annual weighted average cost of debt, which, for F2009 was 4.29 percent (F2008 – 4.42 percent). The balances recorded in each deferral account at March 31, 2009, including interest, are:

($ in millions)	OATT Revenue	Emergency Maintenance	Cost of Market	Regulatory Cost	IFRS Cost	Section 5 Inquiry	Total
Total Deferral Accounts as at March 31, 2008	$ 9.6	$ 4.0	$ (1.9)	$ 0.4	$ –	$ –	$ 12.1
(Recovered)/Refunded	(10.0)	(4.1)	2.0	(0.4)	–	–	(12.5)
F2009 Deferral amounts	10.2	3.1	(0.2)	0.7	0.2	0.1	14.1
Interest	0.5	0.2	(0.1)	–	–	–	0.6
Total Deferral Accounts as at March 31, 2009	**$ 10.3**	**$ 3.2**	**$ (0.2)**	**$ 0.7**	**$ 0.2**	**$ 0.1**	**$ 14.3**

The F2009 OATT Revenue Deferral amount of $10.2 million refers to a $10.4 million variance between actual OATT revenues and the BCUC-approved amount, offset by $0.2 million credited to the account in relation to the extinguished Asset Retirement Obligation, as approved by the BCUC.

BCTC's deferral accounts are subject to review and approval by the BCUC before the account balances can be recovered from customers.

Other comprehensive income

Other comprehensive income of $0.1 million represents a gain on the interest rate hedge for the $30 million bond issued during the year.

Summary of Financial Position

The following table summarizes BCTC's financial position as at March 31, 2009 and March 31, 2008:

($ in millions)	F2009 Actual	F2008 Actual	Variance
Current Assets	$ 24.4	$ 28.2	$ (3.8)
Property, Plant and Equipment	151.9	155.7	(3.8)
Other Assets	1.7	2.2	(0.5)
Total Assets	**$ 178.0**	**$ 186.1**	**$ (8.1)**
Current Liabilities	$ 30.1	$ 71.5	$ (41.4)
Long-Term Debt	93.4	66.7	26.7
Other Long-Term Liabilities	3.2	4.1	(0.9)
Total Liabilities	126.7	142.3	(15.6)
Shareholder's Equity	51.3	43.8	7.5
Total Liabilities and Shareholder's Equity	**$ 178.0**	**$ 186.1**	**$ (8.1)**

The reduction in BCTC's total assets was primarily driven by the higher depreciation expense relating to the G.M.P. project placed in service in April 2008. Additionally, BCTC drew down on its cash to reduce the accounts payable balance and to fund operations. Net impact of these changes resulted in total assets being reduced by $8.1 million.

Current liabilities have decreased primarily due to the maturity of BCTC's $ 35 million bond in December 2008 and the repayment of short-term borrowings. The $30 million bond was refinanced and is due in November 2019, which resulted in an increase in long-term debt.

Liquidity and Capital Resources

The following table provides a summary of cash flow:

($ in millions)	F2009 Actual	F2008 Actual	Variance
Cash and Cash Equivalents, Beginning of Year	$ 8.2	$ 13.3	$ (5.1)
Cash Provided by (Used in):			
Operating Activities	23.5	4.3	19.2
Investing Activities	(19.1)	(58.9)	39.8
Financing Activities	(8.5)	49.5	(58.0)
Decrease in Cash	(4.1)	(5.1)	1.0
Cash and Cash Equivalents, End of Year	**$ 4.1**	**$ 8.2**	**$ (4.1)**

Operating Activities

Cash provided by operating activities in F2009 was $23.5 million compared to $4.3 million for the same period last year. The increase in cash provided by operating activities for the year ended March 31, 2009 was primarily due to working capital changes, higher non-cash depreciation and higher net income.

Investing Activities

During the year ended March 31, 2009, BCTC invested, on a cash basis, capital expenditures of $18.9 million as compared to $56.2 million invested for the same period last year. This decrease is primarily due to the substantial completion of the SCMP project in March 2008.

Financing Activities

Cash used for financing activities in F2009 was $8.5 million compared to cash provided by financing activities of $49.5 million in the prior year. In F2008, there were proceeds from the issuance of long-term debt of approximately $40 million, offset in F2009 by a net repayment of short-term borrowings. During F2009, BCTC refinanced $30 million of long-term debt.

Capital Resources

Short-term liquidity is provided through surplus cash invested in short-term money market funds from operations during the year, augmented with short-term commercial paper borrowings from the Province of British Columbia as required. The Province limits short-term commercial paper borrowing to $250 million with a temporary increase permitted to $400 million for up to two months. Additionally, BCTC has a $100 million demand revolving credit facility for general corporate purposes with a chartered bank. The facility is available by way of US$ drawdown or US$ like overdrafts and is priced at the prime rate for Canadian dollar overdrafts and the US base rate, as specified.

BCTC had an active short-term borrowing program in F2009 to supplement cash flow timing differences between capital investment and revenue. During F2009, BCTC borrowed and repaid in increments a total of $1,510 million.

Long-term financing is provided by the Province of British Columbia through an IT services arrangement and the issuance of matching debentures to the Province. In June 2002, BCTC issued a $400 million bond at a coupon rate of 5.76 percent, maturing on June 29, 2037, proceeds to finance SCMP. A $300 million bond matured in December 2008 and was refinanced in November 2008 when BCTC issued a $300 million bond at a coupon rate of 5.06 percent, maturing in November 2018.

Comparison to Service Plan

F2009 Actual versus F2009 Plan

Under the *Budget Transparency and Accountability Act*, Crown agencies are required to include in their annual report a comparison of the actual performance for the fiscal year then ended against the planned performance submitted in the annual service plan. The F2009 Plan shown below is the financial plan submitted by BCTC in its January 2008 Service Plan. A copy of this Service Plan is available on BCTC's website at

($ in millions)	F2009 Actual	F2009 Plan	Variance
Revenues			
Tariff	$ 889	$ 941	$ (42)
Asset management and maintenance fee	90.9	90.5	0.4
Non-tariff	57.0	42.4	13.6
Total Revenue	**237.8**	**228.0**	**9.8**
Expenses			
OM&A	206.7	190.3	(16.4)
Depreciation	19.7	20.9	1.2
Cost of market and other asset related costs	9.2	10.7	1.5
Total Expenses	**235.6**	**221.9**	**(13.7)**
Income (Loss) from Operations	2.2	6.1	(3.9)
Other income	0.1	0.1	
Income (Loss) before Deferral Accounts Transfers	2.3	6.2	(3.9)
Deferral Accounts	4.8		4.8
Net Income	**$ 7.1**	**$ 6.2**	**$ 0.9**
Other comprehensive income	0.3		0.3
Comprehensive Income	**$ 7.4**	**$ 6.2**	**$ 1.2**

Net Income

Net income for the year ended March 31, 2009 is $7.1 million compared to Plan net income of $6.2 million. The increase from Plan is primarily due to lower asset related costs and higher non-tariff revenue.

Revenues

Tariff revenue of $889 million is $4.2 million below Plan primarily due to lower rates approved by the BCUC. Actual Network Integrated Transmission Services (NITS) revenue was $668.4 million compared to $715.5 million in the Plan. PTP transmission services revenue was lower due to lower rates and lower volumes, partially offset by higher ancillary services revenues. The asset management and maintenance fee of $90.9 million reflects the F2008 approved level. The higher non-tariff revenue relative to Plan is primarily due to $13.3 million of overhead costs billed to BC Hydro capital projects which are classified as an offset to OM&A in the Plan. Also contributing to the increase are higher revenue from engineering studies and design work, and higher Rio Tinto through substation distribution asset management fees.

Expenses

OM&A costs are higher than Plan by $13.3 million due to overhead costs recovered from capital projects classified as revenue while they are included as an offset to expenses in the Plan. The remainder of the variance is mainly due to higher emergency maintenance and regulatory costs which have been transferred to their respective deferral accounts and BCTC will be seeking BCUC approval to recover these deferred costs in F2010.

Depreciation is lower than Plan largely due to lower than planned capital expenditures and a gain related to the surrender of the Lower Mainland Control Centre lease to BC Hydro.

Cost of market and other asset related costs are lower than Plan largely due to lower grants and taxes on the new control centres and lower finance charges.

Transmission Capital Expenditures

Capital expenditures for control centres, information technology and office facilities are financed and owned by BCTC whereas those relating to the transmission system are financed and owned by BC Hydro. The transmission capital expenditures are accounted for and reported in BC Hydro's financial accounts as the owner of transmission assets and are not reflected in BCTC's financial statements.

Transmission capital expenditures for F2009 are summarized in the table below.

($ in millions)	F2009 Actual	F2008 Actual	Variance from Actual	F2009 Plan	Variance from Plan
Assets Owned by BCTC					
Control Centre Technologies	$ 8.8	$ 63.7	$ 54.9	$ 5.1	$ (3.7)
Information Technologies	8.8	4.2	(4.6)	15.4	6.6
Facilities	1.1	2.2	1.1	0.2	(0.9)
Total BCTC Capital Expenditures	**$ 18.7**	**$ 70.1**	**$ 51.4**	**$ 20.7**	**$ 2.0**
Transmission Assets Owned by BC Hydro					
Sustaining Capital	$ 101.6	$ 82.4	$ (19.2)	$ 112.4	$ 10.8
Growth Capital	292.9	141.1	(151.8)	417.0	124.1
Less: Contributions in Aid of Construction	(18.4)	(20.5)	(2.1)	(28.4)	(10.0)
Transmission Capital Investments on behalf of BC Hydro	**$ 376.1**	**$ 203.0**	**$ (173.1)**	**$ 501.0**	**$ 124.9**

Assets Owned by BCTC

Capital expenditures totalled $18.7 million in F2009, a $51.4 million decrease over the prior year primarily due to the SCMP project having been completed in F2008.

Compared to F2009 Plan of $20.7 million, BCTC's capital expenditures were $2.0 million below Plan primarily due to a delayed start in projects pending BCUC approval of the F2009 Transmission System Capital Plan. This is partially offset by higher facilities costs related to office expansion.

Transmission Assets Owned by BC Hydro

BCTC expended $376.1 million (F2008 – $203.0 million) during F2009 on transmission capital projects. With capital funding by BC Hydro as required pursuant to the Master Agreement dated November 12, 2003. The level of capital expenditure is higher than last year primarily due to the VITR project, increased IPP projects and increased investments in system reinforcement and expansion to meet load growth.

There are two main drivers for capital investment in the transmission assets owned by BC Hydro: sustaining performance, capability and growth to meet load and customer interconnection requests.

Sustaining capital expenditures are designed to maintain an appropriate level of asset health and system performance. These investments typically involve refurbishment or replacement of existing equipment, with the objective of extending asset life or preserving functionality. In addition, some sustaining investments are made to reduce risks, such as those associated with safety and environmental issues, and to meet industry standards in programs such as seismic upgrades, spill containment, and fire risk reduction. During F2009, $101.6 million (F2008 – $82.4 million) was invested in equipment, transmission lines and cables and telecommunication.

Growth capital includes investments required to extend and enhance the system to meet growth in load and use of the system, and to accommodate transmission customer and generator interconnection requests. During F2009, BCTC invested $292.9 million (F2008 – $141.1 million) in growth capital.

For certain customer requested projects, including transmission customer load connections and generator interconnections, the customers are required to contribute toward the project cost based on the OATT. For third party projects to relocate transmission lines, BCTC is reimbursed for costs. These customer payments are categorized as contributions in aid of construction. During F2009, BCTC received $18.4 million (F2008 - $20.5 million) in contributions in aid of construction.

Compared to the F2009 Plan of $501.0 million, actual transmission capital expenditures were $124.9 million below Plan primarily due to cash flow shifts and project deferrals to F2010 for some growth projects.

The major capital projects in the construction phase with forecast costs or past spending in excess of $50.0 million are as follows:

Vancouver Island Transmission Reinforcement (VITR) project
The VITR project involved the installation of a new 230 kV submarine cable circuit from the Lower Mainland to Vancouver Island and was placed in-service in December 2008. The new circuit allows peak demand to be met on Vancouver Island, accommodates growth requirements and replaced existing transmission circuits which reached end of life. Total F2009 expenditures were $170.9 million and the total project cost to March 31, 2009 is $282.2 million. Total cost of the project is forecast to be $302.4 million and completion is anticipated in Q2 F2010.

Mission-Matsqui Reinforcement project
The Mission-Matsqui Reinforcement project will address increased load growth in the Matsqui/Abbotsford area and address reliability concerns in the communities of Mission, Port Kells and Maple Ridge. Total F2009 expenditures were $19.6 million and the total project cost to March 31, 2009 is $53.8 million. Total cost of the project is currently forecast to be $55.7 million and completion is anticipated in Q1 F2010.

Other capital projects are as follows:

Interior to Lower Mainland (ILM) project
The Interior to Lower Mainland Reinforcement (ILM) project is required to reinforce the transmission system from BC's Interior to the Lower Mainland, with an estimated in-service date of October 2014. Total F2009 expenditures were $13.7 million and the total project cost to March 31, 2009 is $28.2 million. Total cost of the project is forecast to be $602.1 million. This reinforcement will meet anticipated growth requirements for electricity in the Lower Mainland, ensure existing transmission commitments are met and transport increased generation resulting from projects planned in the Southern Interior. The ILM project received a CPCN from the BCUC in August 2008. The ILM project received a Certificate of Public Convenience and Necessity (CPCN) from the BCUC in August 2008. An application for an Environmental Assessment Certificate was filed with the BC Environmental Assessment Office in October 2008. The application review is currently in process. On February 18, 2009 the BC Court of Appeal issued its decision in the ILM project appeal, suspending the CPCN, stating that the BCUC ought to have considered the adequacy of First Nations consultation at the time the CPCN decision was made. The BCUC has recently initiated a process to assess the adequacy of consultation with First Nations as of the date of the CPCN.

Interconnections
BCTC continues to experience increasing activity related to generator and load interconnection requests. Of the 20 IPPs identified from BC Hydro's 2006 Call for Tender, nine have signed Facilities Agreements. In F2009, $49.2 million was spent on IPP projects.

Critical Accounting Policies and Estimates

The preparation of BCTC's financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs, and related disclosures of commitments and contingencies. BCTC has based its estimates and judgments on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments.

BCTC's management believes the following issues involve the more significant estimates and judgments used in the preparation of its financial statements.

Regulatory Assets and Liabilities

Generally Accepted Accounting Principles (GAAP) would not allow deferral of regulatory assets and liabilities were it not for rate regulated accounting. The earnings impact would have to be recorded in the period of recovery. The BCTC regulatory assets and liabilities have been recorded based on expected, existing or previous regulatory orders or decisions. In a regulatory environment, disposition of amounts in deferral accounts are only finalized when regulatory decisions or proceedings culminate. Therefore, certain estimates are necessary in the interim period in order to provide regular reporting of amounts.

Pension Amounts

BCTC provides a defined benefit registered pension plan to all employees. BCTC contributes amounts as prescribed by an independent actuary towards the cost of providing basic benefits under the plan. The company's actuary calculates the accrued benefit obligation using the projected benefit method prorated on service. This method incorporates management's best estimate of future salary levels, health care cost escalation, retirement ages of employees and other actuarial factors. Additionally the calculations prepared by the actuary incorporate an assumption related to the discount rate in accordance with section 3461 of the Canadian Institute of Chartered Accountants handbook for the accrued benefit obligation and the expected long-term rate of return on plan assets. This weighted average discount rate is 8.4% for both the Pension Plan and for the Other Benefits Plan. Fluctuations in actual market returns and changes in interest rates may result in increases or decreases to future pension expenses.

Accounts Receivable

BCTC bills OATT and other customers for revenue earned. These accounts receivable are reported in terms of their age and are monitored for collectibility. At each quarter end, management reviews the likelihood of collection of certain receivables that are deemed to be at risk and records a provision against these balances when there is a possibility that amounts may not be collected. Insurance claims related to damage incurred to plant assets are included in BCTC's accounts receivable and are managed and monitored separately from trade accounts receivable. At each quarter end, if there is any indication of insurance collection concern, a provision is recorded against these balances. These provisions are based on management's best estimate of collectibility when taking into account what is known about the customer and the age of the outstanding balance.

New Accounting Policies

BCTC adopted the following new accounting pronouncements in F2009:

Financial Instruments

On April 1, 2008, BCTC adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation*. These two sections require entities to provide disclosures that enhance financial statement users' understanding of the significance of financial instruments on an entity's financial position and performance and the nature and extent of risks associated with them. The adoption of these standards requires that the fair market value of BCTC's long-term debt be disclosed (see Note 9). There was no other impact of this adoption.

Capital Disclosures

On April 1, 2008, BCTC adopted CICA Handbook Section 1535 *Capital Disclosures*, which establishes standards for disclosing information about an entity's capital structure, including qualitative and quantitative information about management of capital items such as debt and equity. The adoption of this standard resulted in additional disclosure regarding BCTC's capital objectives, but did not have any impact on BCTC's financial statements.

Credit Risk and the Fair Value of Financial Assets and Liabilities

The CICA Emerging Issues Committee (EIC) issued EIC-173 *Credit Risk and the Fair Value of Financial Assets and Liabilities* on January 20, 2009. EIC-173 is effective for interim and annual financial statements ending on or after the date of issuance. EIC-173 requires that an entity's own credit risk and the credit risk of counterparties should be taken into account in determining the fair value of financial assets and liabilities. The adoption of this EIC did not have any impact on BCTC's financial statements.

Assessing Going Concern

CICA Handbook Section 1400 has been amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This pronouncement is effective for fiscal years beginning on or after January 1, 2008.

Emerging Accounting Pronouncements

Transition to International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed the decision and timeline to adopt globally accepted accounting standards by converging Canadian GAAP with IFRS. The AcSB confirmed that the date for the first full set of IFRS financial statements will be for fiscal years beginning on or after January 1, 2011, with comparative figures for the prior year. BCTC will begin full reporting under IFRS for the fiscal year commencing April 1, 2011, with comparative reporting for the prior year.

BCTC's IFRS conversion project consists of three phases: diagnostic, development and detailed assessment, and implementation. BCTC has engaged an external expert advisor to assist in the conversion project and has completed its diagnostic phase which involved the identification of potential differences between IFRS and GAAP. BCTC is currently completing the second phase, preparing the detailed assessment to develop the transition plan to IFRS. BCTC has identified property, plant and equipment, rate regulatory accounting and employee benefit plans as the areas that will have the most significant impact on its financial reporting. BCTC is continuing to assess the impact of the transition to IFRS on its financial statements, including the information system and business process changes that may be required.

Intangible Assets

CICA Handbook Section 3064 *Goodwill and Intangible Assets* was issued in February 2008 to replace Section 3062 *Goodwill and Other Intangible Assets* and Section 3450 *Research and Development Costs*. This section is effective for fiscal years beginning on or after October 1, 2008. BCTC is assessing the impact that the new standard will have on its financial statements.

Accounting for Rate-Regulated Operations

The AcSB issued an Exposure Draft, "Rate-Regulated Operations" in March 2007 proposing to remove explicit guidance for rate-regulated operations from the CICA Handbook. The Rate-Regulated Operations Exposure Draft resulted in a Decision Summary in August 2007, which listed a number of amendments.

In December 2007, the CICA issued the guidance stating that the temporary exemption pertaining to the recognition and measurement of assets and liabilities arising from rate regulation in Section 1100 *Generally Accepted Accounting Principles* has been removed. Section 3465 *Income Taxes* has been updated for future income tax liabilities and assets, and AcG-19 *Disclosures by Entities Subject to Rate Regulation* has been amended for disclosures by entities subject to rate regulation. The requirements of the Sections are effective for fiscal years beginning on or after January 1, 2009. These proposed changes have no impact on BCTC's accounting for regulatory assets and liabilities.

Risk Management

BCTC is exposed to a variety of business and operating risks. BCTC's enterprise risk management efforts are overseen by a Risk Management Committee composed of members of the Executive Leadership Team and by the Audit Committee of the Board of Directors.

Since F2005, BCTC has used an Enterprise Risk Management (ERM) framework to identify, assess, mitigate and monitor risks to provide reasonable assurance that its corporate and business objectives will be met. BCTC utilizes a Corporate Risk Matrix to determine the severity classification of certain risks, ranging from Low to Extreme. This classification is based on the likelihood of the following impact criteria: Safety, Financial, Reliability, Market Efficiency, Relationships, Organization and People and Environment.

BCTC maintains a corporate risk profile that is reviewed regularly. In October 2008, Management initiated an update on the corporate risk profile in order to re-evaluate the previously identified key corporate risks and identify any new or emerging risks. BCTC employs various risk management strategies to mitigate its risk exposure. For certain types of risks, BCTC uses insurance as an effective mechanism for risk transfer. BCTC has in place a comprehensive insurance program with limits that are within the acceptable range of industry practices.

Risk of interruption to mission critical business processes is managed, in part, through an enterprise business continuity management program. The program encompasses emergency response planning, information system disaster recovery planning and other contingency planning initiatives, including grid outage, facility disruptions and loss of key staff. The program ensures that BCTC's personnel, assets, information systems, and operations are resilient to potential business disruptive events. Regular program reporting is provided to the Risk Management Committee and the Audit Committee of the Board of Directors.

Following are some of the general types of risks that BCTC faces:

Labour Risk

Approximately forty percent of BCTC's employees are represented by either the International Brotherhood of Electrical Workers (IBEW) or the Canadian Office and Professional Employees Union (COPE). In the event of a labour dispute, essential services are protected by legislation but BCTC still could face some degree of operational risk related to providing service to customers. Both the COPE Collective Agreement (61 employees) and the IBEW Collective Agreement (87 employees) expire in March 2010.

BCTC relies on a small, highly skilled workforce. The average age of employees is 43 years. Voluntary attrition for F2009, inclusive of retirement, is 9.0 percent (F2008 – 7.9 percent). The forecast for F2010 and F2011 ranges from 7 percent to 9 percent. In order to manage this risk, BCTC continues its emphasis on succession and workforce planning, recruitment strategies and active management of other key attraction and retention factors. In addition, staffing levels have increased due to workload considerations, including increased knowledge transfer requirements and training considerations.

The Human Resources, Safety and Environment Committee provides guidance to senior management on the development of human resource policies to ensure BCTC is successful in attracting and retaining the human resources needed to execute BCTC's mandate.

Labour risk did not have a significant impact on BCTC's financial performance in F2009.

Regulatory Risk

The Master Agreement signed between BCTC and BC Hydro requires BC Hydro to fund those capital projects approved by the BCUC. The cost of any capital project constructed by BCTC and funded by BC Hydro for which approval of the BCUC is denied will not be recoverable through BCTC's rates and must be repaid to BC Hydro. BCTC manages this risk through prudent planning, seeking approvals as early as they can be obtained and by minimizing any capital activity in advance of the necessary approvals. BCTC has not experienced any disallowance of capital expenditures in respect of F2009.

BCTC has received approval from the BCUC for certain deferral accounts in which to record the differences between forecast and actual revenues or costs. BCTC is subject to the same deferral account clearance risks as other regulated companies and manages this risk by ensuring deferred costs and revenues are prudent and by demonstrating prudent action to the BCUC. BCTC was successful at managing regulatory risk in F2009 and has not had any disallowances during the year.

Project and Program Risk

BCTC mitigates program execution risks through the application of policies, processes and standards. Each capital or maintenance project is evaluated for regulatory, cost, schedule, scope, performance, utilization, functionality, environmental and safety risks. As the project moves through the various life cycle phases (Study, Definition, Execution and Operation), these risks are managed using well-established industry practices. For execution phase risks, the risk management plan is documented in the project plan. Monitoring of identified and emerging risks is undertaken throughout the execution phase. BCTC utilizes contractor services for work done on routine maintenance initiatives as well as on major project development and execution. BCTC has established management systems to minimize the risks associates with contracted services. There were no significant impacts on BCTC's financial performance in F2009 related to contracted services.

Public resistance has emerged in jurisdictions where new transmission infrastructure is being built. BCTC has been responding to these challenges in building new transmission facilities by improving the public consultation processes to provide better and more timely information to communities adjacent to new transmission projects. BC Hydro leads First Nation consultation and, where appropriate, accommodation with First Nations on BCTC projects. Costs related to consultation with the public are planned for and incorporated into project costs and did not have a significant impact on BCTC's financial performance in F2009.

Operational Risk

BCTC plans, build, operates and maintains the provincially owned transmission system assets and exercises exclusive authority for electric transmission reliability in British Columbia. In the execution of this mandate, BCTC manages risks that could potentially impact the reliability, capacity, sustainment, safety or environmental performance of the transmission system. Monitoring asset health and performance allows risk reduction programs to be initiated to mitigate risk events. BCTC actively participates in the Western Electricity Coordinating Council (WECC) and plans and operates the system in compliance with WECC and North American Electric Reliability Council (NERC) guidelines. BCTC also actively coordinates regional transmission planning with neighbouring utilities. A comprehensive system of operating policy and local and system operating orders safeguard against worker and public endangerment, equipment damage, loss of reliability and loss of public support. In F2009, the overall reliability of BC's transmission system, as measured by the SAIDI statistic, was 2.36 hours compared to the target of 2.23 hours. In the next fiscal period, BCTC will be required to adhere to mandatory reliability standards. BCTC has recently been reviewing the financial stability of key suppliers to ensure it is conducting its operations with minimal risk of being impacted adversely.

Environmental, Health and Safety Risk

Environmental, health and safety risks are managed by use of International Organization for Standardization (ISO) standards for environmental and safety management systems. BCTC has an annual audit program that reviews the various parts of these management systems with respect to the ISO standards, organization commitments and regulatory requirements. The structure and timing of these audits are consistent with the ISO standards. Where risk mitigation is required, appropriate management and operational controls are implemented.

In day to day practice, BCTC uses the management systems it has developed to identify, assess, and control environmental, change management, health and safety risks. BCTC utilizes contractor services as part of the operating model and those contractors are subject to the BCTC management systems for environmental, health and safety. The Human Resources, Safety and Environment Committee of the Board of Directors has oversight responsibility for matters relating to the environment, health and safety. In light of the September 2008 Environment Canada issued regulations related to management of PCB contamination, BCTC will conduct an asset condition assessment to mitigate issues related to oil-filled equipment with varying PCB concentrations. BCTC will identify actions to mitigate releases, monitor leaks and prioritize equipment for repairs or replacement. Environmental, Health and Safety risk mitigation ensured that BCTC's financial performance in F2009 was not significantly impacted.

Security Risk

Security risks are managed through an enterprise security management program that encompasses physical, cyber and personnel security. The security program ensures that BCTC's personnel, assets, information systems, and operations are cost-effectively protected from security threats and resilient to potential business disruptive events commensurate with risk exposures. BCTC, recognizing that the 2010 Olympic Games is a special event with specific security risks, has an initiative to address BCTC relevant security risks and to ensure alignment with other parties' security initiatives. Security reporting is provided to the Risk Management Committee and the Audit Committee of the Board of Directors. Security risk had no significant impact on financial performance in F2009.

Economic and Credit Risk

The current status of the global and, specifically, national economy creates risk for BCTC. Credit risk is the risk of loss in the event that a counterparty fails to fulfill its payment obligations. A counterparty is typically a customer under the OATT tariff.

BCTC has a low risk tolerance for credit risk and has established appropriate credit policies and procedures for the day to day management of credit risk exposure. Transmission services are provided only to those customers whose financial standing, as determined by major rating agencies, meets BCTC's creditworthiness criteria or upon receipt of acceptable security. The management of credit risk is centralized under the Chief Financial Officer from a strategic and operational perspective. Additionally, the operations group at BCTC regularly monitors customer accounts. Credit risk is measured on an ongoing basis and a monthly credit review and exposure report is provided to management for review. In F2009, BCTC did not experience any significant credit loss from customer accounts. BCTC has recently been reviewing the invoice and collection risks for customers, with a focus on the higher risk non BC Hydro accounts which form a small portion of the total revenue amounts each year.

As it relates to BCTC's pension plan, the calculations prepared by the company's actuary incorporate certain assumptions related to the discount rate in accordance with Section 3461 of the CICA Handbook for the accrued benefit obligation and the expected long-term rate of return on plan assets.

As it relates to liquidity and financing risk, BCTC has minimal exposure as it's financing is provided by the Province of British Columbia and is at a fixed interest rate.

F2010 Outlook

The outlook for F2010 will see BCTC continuing to make significant progress toward meeting its corporate strategies and objectives outlined in this annual report and the January 2009 Service Plan. Below is a three-year forecast of BCTC's results of operations, key financial information pertaining to BCTC, and also BC Hydro's Transmission Capital Expenditures reported in the BCTC January 2009 Service Plan.

($ in millions)	F2009* Actual	F2010 Forecast	F2011 Forecast	F2012** Forecast
Revenues				
Tariff	$ 89.9	$ 84.2	$ 88.2	$ 95.4
Asset management and maintenance fee	90.9	92.4	99.3	98.1
Non-tariff	43.7	48.8	40.2	39.2
Total Revenue	**224.5**	**225.4**	**227.7**	**232.7**
Expenses				
OMA	193.4	193.2	194.6	195.6
Depreciation	19.7	16.3	17.4	20.8
Cost of market and other asset related costs	9.2	9.4	9.3	9.4
Total Expenses	**222.3**	**218.9**	**221.3**	**225.8**
Income from Operations	**2.2**	**6.5**	**6.4**	**6.9**
Other income	0.1	0.4	0.5	0.1
Deferral accounts	4.8	0.1		
Net Income	**$ 7.1**	**$ 7.0**	**$ 6.9**	**$ 7.0**
Transmission Capital Expenditures				
Assets owned by BCTC	17.3	18.9	22.2	12.2
Transmission assets owned by BC Hydro	376.1	417.2	439.6	433.8
Total Capital Expenditures	**$ 393.4**	**$ 436.1**	**$ 461.8**	**$ 446.0**
Debt	$ 79.4	$ 79.4	$ 73.5	$ 73.5
Shareholder's equity	$ 84.2	$ 91.2	$ 97.6	$ 98.6
Debt to equity ratio	48.5%	46.5%	43.0%	42.7%

* The F2009 actual results reflect a reclassification of $11.3 million from Other Expenses to OMA to align with the presentation in the F2010 Service Plan.

** F2012 information is based on current Canadian GAAP. BCTC will be required to transition to IFRS effective January 2011.

At the direction of the Province of British Columbia, BCTC will increase its net income contribution for F2010 to F2012 by approximately $0.9 million. This direction has been reflected in the forecast for F2010 to F2012.

The revenue in the forecast period reflects the transmission rate increase required to recover the costs associated with the new system control centers, which became fully operational in April 2008. Non-tariff revenues are forecast to be higher in F2010 primarily due to the recovery of costs for the environmental assessment being conducted for the Northwest Transmission Line (NTL) project. This category of revenues is also largely dependent on the amount of studies performed in any year.

Depreciation amounts were higher in F2009 when the SCMP project was placed into service. Following this, in F2010, these costs decrease as control centre assets replaced with SCMP assets reach their end of life. The increase in depreciation in F2012 relates to information technology assets going into service.

With respect to capital spending, BCTC is accountable for investments in the transmission system assets that are owned and financed by BC Hydro in addition to its own capital expenditures. The increase in spending related to the assets owned by BC Hydro relates to spending in both the Growth and Sustaining Portfolios. In the Growth Portfolio, investments relate to extending and reinforcing the transmission system to meet load growth, to transfer power from new generation resources, and to accommodate transmission customer and generator interconnection requests. The Sustaining Portfolio addresses transmission infrastructure capital equipment replacements, refurbishment and enhancements necessary to meet safety, reliability, environmental and regulatory standards. Spending on the BCTC capital portfolio consists of investments for information management, control centre technologies and facilities.

Major Growth Capital projects in the forecast period include the Interior to Lower Mainland project, the Vancouver City Central Transmission project, the Central Vancouver Island project, the Columbia Valley Transmission project and the Southern Interior Series Compensation project. Sustaining capital investments are forecast to increase over the forecast period primarily due to higher number of end-of-life replacements, increased focus on improving the resilience of the transmission system, and cost escalation due to tight equipment and construction markets for the transmission business. Capital expenditures on BCTC owned assets will be primarily in the areas of information technology.

BCTC plans to use cash from operations to finance capital expenditures, supplemented by an intermittent and modest short-term borrowing program. There is no new long-term debt borrowing planned for the forecast period. BCTC's shareholder's equity will increase modestly over the forecast period with net income retained.

Management Report

The financial statements of British Columbia Transmission Corporation (BCTC) are the responsibility of management and have been prepared in accordance with Canadian Generally Accepted Accounting Principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates, which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at June 2, 2009. The financial statements have also been reviewed by the Audit Committee and approved by the Board of Directors.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safe-guarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee.

The financial statements as at March 31, 2009, and for the year then ended have been examined by an independent external auditor. The external auditor's responsibility is to express his opinion on whether the financial statements, in all material respects, fairly present BCTC's financial position, results of operations, retained earnings and cash flows in accordance with Canadian Generally Accepted Accounting Principles. The Auditor's Report, which follows, outlines the scope of his examination and his opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, comprising directors who are not employees, meets regularly with the external auditor, the internal auditor and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors. The internal and external auditors have full and open access to the Audit Committee, with and without the presence of management.

Janet Woodruff
Interim President

Janet Fraser
Director, Regulatory Affairs and Interim CFO

Vancouver, Canada
June 2, 2009

Report of the Auditor General of British Columbia

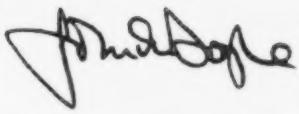
To the Members of the Board of British Columbia Transmission Corporation, and

To the Minister of Energy, Mines and Petroleum Resources, Province of British Columbia:

I have audited the balance sheet of *British Columbia Transmission Corporation* as at March 31, 2009 and the statements of operations and other comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of *British Columbia Transmission Corporation* as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Generally Accepted Accounting Principles.



John Doyle
Auditor General

Victoria, British Columbia
June 2, 2009

Statement of Operations and Other Comprehensive Income

For the years ended March 31 ($ in thousands)	2009	2008
Revenue		
Tariff revenue (Note 11)	$ 89,924	$ 68,545
Asset management and maintenance fees (Note 11)	90,900	87,300
Service fees and other (Notes 2, 11)	56,856	45,442
Investment income	158	583
	237,838	201,870
Expenses		
Cost of market (Note 16)	5,016	4,993
Operations, maintenance and administration (Notes 2, 11)	206,679	186,105
Taxes and grants	718	273
Depreciation and amortization	19,660	14,442
Finance charges (Note 17)	3,525	995
	235,598	206,808
Income (Loss) from Operations	2,240	(4,938)
Other income	118	3,858
Income (Loss) before Deferral Account Transfers	2,358	(1,080)
Deferral accounts (Note 5)	4,759	4,268
Net Income	$ 7,117	$ 3,188
Other comprehensive income (Note 10)	337	
Comprehensive Income	$ 7,454	$ 3,188

Statement of Retained Earnings

For the years ended March 31 ($ in thousands)	2009	2008
Retained Earnings, beginning of year	$ 23,793	$ 20,603
Transitional adjustment upon change in accounting policy	-	2
Net income	7,117	3,188
Retained Earnings, end of year	$ 30,910	$ 23,793

See accompanying notes to the financial statements.

Balance Sheet

as at March 31 ($ in thousands)	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ 4,068	$ 8,152
Accounts receivable	3,914	4,079
Prepaid expenses (Note 7)	2,150	3,918
Deferral accounts (Note 5)	14,262	12,108
	24,394	28,257
Other Assets (Note 6)	1,117	664
Prepaid Expenses - Long-Term (Note 7)	589	1,506
Property, Plant and Equipment (Note 8)	151,872	155,713
	$ 177,972	$ 186,140
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 21,357	$ 20,483
Due to BC Hydro	5,701	9,643
Short-term debt (Note 9)	-	9,012
Current portion of long-term debt (Note 9)	-	30,036
Current portion of obligations under capital lease (Note 14)	48	115
Deferred revenue	1,557	622
Deferred leasehold inducements	1,635	1,771
	30,298	71,682
Accrued Employee Benefits (Note 12)	22,992	22,981
Asset Retirement Obligation (Note 13)	-	972
Long-Term Debt (Note 9)	69,979	39,988
Obligations Under Capital Lease (Note 14)	3,456	6,724
	126,725	142,347
Shareholder's Equity		
Share capital (Note 15)	20,000	20,000
Retained earnings	30,910	23,793
Accumulated other comprehensive income (Note 10)	337	-
	51,247	43,793
	$ 177,972	$ 186,140

Commitments and contingencies (Note 20)

See accompanying notes to the financial statements

Approved on behalf of the Board

David Emerson
Chair of the Board

John Gill
Chair, Audit Committee

Statement of Cash Flows

For the years ended March 31 ($ in thousands)	2009	2008
Operating Activities		
Net income	$ 7,117	$ 3,188
Adjustment for non-cash items:		
Depreciation and amortization	19,660	14,442
Other amortization expense included in operations, maintenance and administration	162	627
Allowance for Funds Used During Construction - equity	(118)	(3,858)
Accrued employee benefits changes	11	1,514
	26,832	15,913
Changes in non-cash working capital:		
Accounts receivable and prepaid expenses	1,933	12
Due to BC Hydro	(4,720)	(6,847)
Accounts payable and accrued liabilities	710	(7,578)
Accrued interest and deferred revenue	1,099	195
Deferral accounts	(2,372)	2,643
	(3,350)	(11,575)
Cash provided by operating activities	23,482	4,338
Investing Activities		
Property, plant and equipment expenditures	(18,606)	(66,195)
Short-term investments	-	7,350
Addition to long-term prepaid expenses	-	(153)
Other assets, net of repayment	(453)	35
Cash used for investing activities	(19,059)	(58,963)
Financing Activities		
Proceeds from long-term debt, net	29,990	89,968
Proceeds from interest rate hedge (Note 10)	348	
Repayment of long-term debt	(30,000)	-
Proceeds from short-term debt	151,943	86,924
Repayment of short-term debt	(160,955)	(77,912)
Leasehold inducements	228	586
Principal payments of obligations under capital lease	(61)	(108)
Cash (used for) provided by financing activities	(8,507)	49,478
Decrease in cash and cash equivalents	(4,084)	(5,147)
Cash and cash equivalents, beginning of year	8,152	13,299
Cash and cash equivalents, end of year	$ 4,068	$ 8,152
Supplemental disclosure of cash flow information		
Interest paid	$ 2,872	$ 3,092

See accompanying notes to the financial statements.

Notes to the Financial Statements

For the Years Ended March 31, 2009 and 2008

Note 1: Nature of Operations

The British Columbia Transmission Corporation (BCTC) is a provincial Crown corporation incorporated on May 2, 2003 under the BC *Business Corporations Act*. BCTC is authorized by the *Transmission Corporation Act* (May 29, 2003) and the Key Agreements designated by the Lieutenant Governor in Council (November 20, 2003) pursuant to that Act to plan, operate and manage the British Columbia Hydro and Power Authority's (BC Hydro) electric transmission system. As part of the British Columbia Energy Plan, BCTC's mandate is to plan, operate and manage BC Hydro's transmission assets and provide open and non-discriminatory access to BC's electric transmission system. BCTC reports to the Minister of Energy, Mines and Petroleum Resources and is regulated by the British Columbia Utilities Commission (BCUC).

Going Concern

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and payment of liabilities in the ordinary course of business. Management considers that BCTC has adequate resources to remain in operation for the foreseeable future and is not aware of any material uncertainties that may cast significant doubt upon BCTC's ability to continue as a going concern.

Note 2: Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and are expressed in Canadian dollars.

Use of Estimates

Management has made a number of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and disclosure of contingent liabilities to prepare these financial statements in conformity with Canadian GAAP. These estimates include the useful lives of assets, Allowance for Funds Used During Construction (AFUDC), employee future benefits, regulatory deferral accounts and collectibility of accounts receivable. Actual results could differ from these estimates.

Regulation

BCTC adopted the Canadian Institute of Chartered Accountants (CICA) Accounting Guideline AcG-19 "*Disclosures by Entities Subject to Rate Regulation*" which provides disclosure requirements for rate-regulated entities.

Cash and Cash Equivalents

Cash and cash equivalents include cash and units in money market funds with original maturity dates of less than 90 days from the original date of acquisition.

Financial Instruments

Financial assets:
BCTC classifies its financial assets as loans and receivables except for forward currency contracts which are classified as derivatives. The classification depends on the purpose for which the financial assets were acquired.

Loans and receivables are non-derivative financial assets resulting from the delivery of cash and other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, usually with interest, other than debt securities.

Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are presented in the income statement in the period in which they arise.

BCTC assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities:
BCTC classifies its financial liabilities as other financial liabilities. Other financial liabilities are initially recognized at fair value and are carried at amortized cost using the effective interest method. A gain or loss is recognized in net income when other financial liabilities are derecognized or impaired.

Notes to the Financial Statements

For the Years Ended March 31, 2009 and 2008

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. During the construction of new assets, direct costs plus a portion of overhead costs and related financing costs and return on equity are capitalized using the AFUDC method. AFUDC allows for the capitalization of the return on equity relating to Construction Work in Progress (CWIP) balances that does not affect current period rates and allows BCTC to comply with Special Direction No. 9. Construction is transferred to property, plant and equipment when the asset is substantially complete and available for use.

Depreciation commences in the month after an asset is put into service. Depreciation is provided principally on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	45 years
Computer hardware and software	3 – 10 years
Communication equipment	5 – 30 years
Furniture and equipment	5 – 34 years
Leasehold improvements	5 – 10 years

Asset Retirement Obligation

An asset retirement obligation is a legal obligation associated with the retirement of an owned or leased tangible, long-lived asset. The asset retirement obligation is recorded at fair value when an estimate of fair value can be reasonably determined. When the liability is initially recorded, an equivalent amount is added to the carrying value of the related asset. Thereafter, period to period changes to the liability are recognized for the passage of time and for revisions to the timing or amount of the original estimate. The capitalized cost is amortized over the estimated useful life of the asset.

Leases

Leases are classified as capital or operating depending upon the terms and conditions of the contracts.

Asset values recorded under capital leases are amortized on a straight-line basis over their estimated useful lives. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

Deferred Revenue

Deferred revenue consists principally of amounts received under Study Agreements to investigate the requirements for interconnecting independent power generation facilities to the transmission system. The amounts received are deferred and included in income as the work is completed.

Leasehold Inducements

Leasehold inducements are monies advanced on an operating lease for premises by the property owner. Inducements are amortized over the period of the lease and reduce lease expenses.

Revenue Recognition

BCTC recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of BCTC's activities, as described below. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

Tariff revenue is approved annually by the BCUC. Customers are billed at interim rates until the BCUC approves the final rates. Customers receive funds or are charged the difference, with interest, between the interim and final rates. On a quarterly basis, management assesses the risk with respect to rates and forms an assessment of revenue to be recognized at that time.

BCTC earns revenues under the Open Access Transmission Tariff (OATT). Tariffs are applicable to network integration transmission services, point-to-point and ancillary services. OATT revenue is recognized as follows:

- Network integration transmission services – revenue is recognized on a straight-line basis over the term of the contract;
- Point-to-point transmission services – revenue is recognized on an accrual basis as services are provided; and
- Ancillary services – revenue is recognized on an accrual basis as services are provided.

Revenues earned through the provision of non-tariff services to BC Hydro for asset management and maintenance, generation related transmission asset management, and generation dispatch are recognized on a straight-line basis over the term of the contract, as there are an indeterminate number of acts to be performed.

Revenues earned through the provision of non-tariff services to BC Hydro for distribution operations and substation distribution asset management are comprised of a fixed fee that is recognized on a straight-line basis over the term of the contract and a variable fee that is recognized as services are provided.

Revenues earned through the provision of other non-tariff services, for example feasibility studies provided to IPPs, are recognized as the service is provided.

Foreign Currency Translation

Foreign currency denominated revenues and expenses are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses are included in the determination of net income.

Pension and Other Retirement Benefit Plans

The actuarial determination of the accrued benefit obligation for pensions and other retirement benefits uses the projected benefit method prorated on service, which incorporates management's best estimate of future salary levels, health care cost escalation, retirement ages of employees and other actuarial factors. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Actuarial gains (losses) arise from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period, from differences in actual experience versus the assumed experience or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees is 11 years.

Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

In previous years, the portion of BCTC's capital overhead costs recovered from BC Hydro related to BC Hydro Transmission Line of Business projects was netted against operations, maintenance and administration expense (OMA). Management has identified that it would be more appropriate to classify these billings as revenue. Therefore capital overhead billings of $13,281,000 in F2009 and $8,465,000 in F2008 were reclassified from OMA to other revenue in the F2009 financial statements. These reclassifications had no impact on net income.

Note 3: Adoption of New Accounting Standards

Financial Instruments

On April 1, 2008, BCTC adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation*. These two sections require entities to provide disclosures that enhance financial statement users' understanding of the significance of financial instruments on an entity's financial position and performance and the nature and extent of risks associated with them. The adoption of these standards did not have any impact on the classification and valuation of BCTC's financial instruments. The required disclosure has been provided in Note 18.

Capital Disclosures

On April 1, 2008, BCTC adopted CICA Handbook Section 1535 *Capital Disclosures*, which establishes standards for disclosing information about an entity's capital structure, including qualitative and quantitative information about management of capital items such as debt and equity. The adoption of this standard resulted in additional disclosure regarding BCTC's capital objectives, but did not have any impact on BCTC's financial statements. The required disclosure has been provided in Note 21.

Credit Risk and the Fair Value of Financial Assets and Liabilities

The CICA Emerging Issues Committee (EIC) issued EIC-173 *Credit Risk and the Fair Value of Financial Assets and Liabilities* on January 20, 2009. EIC-173 is effective for interim and annual financial statements ending on or after the date of issuance. EIC-173 states that an entity's own credit risk and the credit risk of counterparties should be taken into account in determining the fair value of financial assets and liabilities. Adoption of this guidance is to be applied retrospectively without restatement to prior periods. The adoption of this EIC did not have any impact on BCTC's financial statements.

Assessing Going Concern

CICA Handbook Section 1400 has been amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This pronouncement is effective for fiscal years beginning on or after January 1, 2008. The required disclosures for BCTC are included in Note 1.

Note 4: Future Accounting Changes

Intangible assets

CICA Handbook Section 3064 *Goodwill and Intangible Assets* was issued in February 2008 to replace Section 3062 *Goodwill and Other Intangible Assets* and Section 3450 *Research and Development Costs*. This section is effective for fiscal years beginning on or after October 1, 2008. BCTC is assessing the impact that the new standard will have on its financial statements.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed the decision and timeline to adopt globally accepted accounting standards by converging Canadian GAAP with IFRS. The AcSB confirmed that the date for the first full set of IFRS financial statements will be for fiscal years beginning on or after January 1, 2011, with comparative figures for the prior year. BCTC will begin full reporting under IFRS for the fiscal year commencing April 1, 2011, with comparative reporting for the prior year.

BCTC's IFRS conversion project consists of three phases: diagnostic, development and detailed assessment, and implementation. BCTC has engaged an external expert advisor to assist in the conversion project and has completed its diagnostic phase which involved the identification of potential differences between IFRS and GAAP. BCTC is currently completing the second phase preparing the detailed assessment to develop the transition plan to IFRS. BCTC has identified property, plant and equipment, rate regulatory accounting and employee benefit plans as the areas that will have the most significant impact on its financial reporting. BCTC is continuing to assess the impact of the transition to IFRS on its financial statements, including the information system and business process changes that may be required.

Note 5: Regulation

Effective April 1, 2005, BCTC is regulated by the BCUC, which approves BCTC's revenue requirement, rates, tariff and capital expenditures.

BCTC operates under cost of service regulation and applies to the BCUC for the approval of rates recovering an annual revenue requirement. For the year ended March 31, 2009, BCTC earned transmission revenues under tariffs that were projected to recover an 11.78% (F2008 – 12.05%) return on deemed equity. Special Direction No. 9 sets out BCTC's deemed equity structure for the purpose of setting rates.

Currently, BCTC maintains BCUC approved deferral accounts for OATT related revenue, emergency maintenance costs, cost of market, regulatory expenditures, costs associated with the implementation of International Financial Reporting Standards and costs related to the Section 5 Transmission Inquiry. The deferral accounts accumulate the difference between the BCUC approved amounts and the actual revenues and costs for recovery from or refund to customers through future rates. The period over which these deferral accounts will be recovered is indeterminable. In the absence of rate regulation, these accounts would not exist.

Revenue Deferral Account

As outlined in the Master Agreement between BCTC and BC Hydro and designated by the Lieutenant Governor in Council on November 20, 2003, BCTC administers OATT for transmission services to recover its own costs as well as costs incurred by BC Hydro. BCTC therefore bears the financial responsibility for funding any shortfalls or receiving surpluses in the total OATT Revenue Requirement for each fiscal year. BCUC has approved the establishment of the Revenue Deferral Account and other regulatory mechanisms to recover revenue shortfalls from or refund revenue surpluses to customers. Consequently, BCTC's deferral account includes a portion pertaining to BC Hydro's Revenue Requirement for transmission services.

BCTC's Revenue Deferral Account captures annual variances between the OATT revenues approved by the BCUC and the actual revenues for both BCTC and BC Hydro. BCTC reports the full amount of its own OATT revenue in tariff revenue on the statement of operations and comprehensive income. Any variance from approved OATT revenues is added or deducted from earnings and recorded in the balance sheet deferral account. BC Hydro records its portion of the approved OATT revenues in its financial statements and these revenues are not recorded in the statements of BCTC. However, any variance between BC Hydro's actual OATT revenues and BC Hydro's approved OATT revenue is recorded in BCTC's deferral account and an equivalent amount accrued as a receivable or payable to BC Hydro. The Revenue Deferral Account also includes variances relating to BCTC's ancillary services.

BCTC's rates for F2009 remain interim since April 1, 2008, as the BCUC Order No. G-16-09 requires that F2009 rates not be finalized until the BCUC reaches a decision on BC Hydro's 2008 Long-Term Acquisition Plan (LTAP). It is anticipated that the interim rates as at March 31, 2009, will be approved by the BCUC and there will be no impact to net income. Any difference between the two F2009 interim rates used for the period April 1, 2008 to March 31, 2009 will be refunded, with interest, to customers at the beginning of June 2009.

Emergency Maintenance Deferral Account

This account captures the variances between approved and actual non-capital emergency maintenance expenditures incurred as a result of unanticipated major equipment failures, extreme weather, wildfires or similar events.

Cost of Market Deferral Account

This account captures variances between approved and actual cost of market expenditures. Cost of market expenditures include:

- Congestion management expenses relating to the purchase of operating reserves, transmission location credits, unscheduled flow mitigation and operating agreements between control areas; and
- Ancillary services expense BCTC incurs for all generation-based ancillary services that BCTC, in turn, sells to customers on a cost flow-through basis.

Regulatory Expense Deferral Account

This account captures the variances between approved and actual regulatory costs. These costs include BCTC's counsel, experts and staff, hearing costs associated with the applications and intervenors costs as approved by the BCUC.

International Financial Reporting Standards Deferral Account

This deferral account was approved by the BCUC by Order G-105-08 on June 26, 2008. The account captures the non-capital costs associated with the implementation of IFRS which are incremental to BCTC's normal business activities.

Long-term Electricity Transmission Inquiry Deferral Account

This deferral account was approved by the BCUC by Order G-2-09 on January 15, 2009. The account captures the non-capital costs related to the inquiry mandated by Section 5(4) of the Utilities Commission Act which are incremental to BCTC's routine business activities. This inquiry is to make determinations about the long-term infrastructure and capacity needs for electricity within the province of BC.

Notes to the Financial Statements

For the Years Ended March 31, 2009 and 2008

The deferral account balances as at March 31, 2009 are as follows:

($ in thousands)	March 31, 2008 Balance	(Recovered)/ Refunded	Current Deferrals BCTC	BC Hydro	Net Interest	March 31, 2009 Balance
Revenue	$ 9,660	$ (9,949)	$ 666	$ 9,441	$ 493	$ 10,311
Emergency Maintenance	3,978	(4,078)	3,154	–	164	3,218
Cost of Market	(1,899)	1,950	(230)	–	(57)	(236)
Regulatory Expense	369	(379)	667	–	24	681
IFRS Costs	–	–	233	–	3	236
Section 5 Inquiry	–	–	52	–	–	52
Total	$ 12,108	$ (12,456)	$ 4,542	$ 9,441	$ 627	$ 14,262

The interest on deferred revenue includes $254,000 (F2008 - $305,000) interest income for BC Hydro's portion of the revenue requirement. This amount is not reflected in BCTC's finance charges.

The interest recorded in each of the deferral accounts was based on BCTC's weighted average cost of debt of 4.29% (F2008 - 4.42%).

During the year, the actual OATT revenues earned by BCTC were $883,000 less than the approved amount and this amount was recorded in the BCTC's Revenue Requirement portion for the Revenue Deferral Account for recovery from the customers.

As per the Negotiated Settlement Agreement dated June 26, 2008, the BCUC approved $217,000 of BCTC's share of the Asset Retirement Obligation (see Note 13) which reduced BCTC's deferral amount to $666,000 for the year.

Note 6: Other Assets

Other assets consist solely of mortgages receivable. BCTC has an Employee Housing Assistance Program, which grants five-year housing mortgages to employees. At March 31, 2009, there were seven employee mortgages outstanding (2008 - four employees). These mortgages were issued at rates ranging from 2.8% to 3.6% and are secured by a second mortgage registered against their property. At the expiry of the mortgage term, the employees have the option to renew the mortgage for an additional five-year term.

Note 7: Prepaid Expenses

Prepaid expenses include both short-term and long-term expenses. Included in the prepaid expense balance is an initial asset utilization fee paid in 2004 to BC Services Asset Corporation (SAC), a subsidiary of BC Hydro, pursuant to an agreement of key principles and terms with BC Hydro upon which the current Master Services Agreement would be split between Accenture Business Services, BC Hydro and BCTC respectively. The remaining fee of $1,407,000 will be amortized over the estimated remaining utilization period of the related SAC assets of approximately 1.7 years.

Note 8: Property, Plant and Equipment

2009

($ in thousands)	Cost	Accumulated Depreciation	Total
Buildings	$ 72,048	$ (1,598)	$ 70,450
Buildings under capital lease	3,730	(642)	3,088
Land	4,370	-	4,370
Computer hardware and software	91,094	(39,308)	51,786
Communication equipment	4,782	(670)	4,112
Furniture and equipment	11,722	(1,608)	10,114
Leasehold improvements	4,140	(1,533)	2,607
Contribution in aid of construction	(144)	144	-
	191,742	(45,215)	146,527
Unfinished construction	5,345	-	5,345
Total	$ 197,087	$ (45,215)	$ 151,872

2008

($ in thousands)	Cost	Accumulated Depreciation	Total
Buildings	$ 73,639	$ (5,857)	$ 67,782
Buildings under capital lease	7,297	(1,139)	6,158
Land	4,370	–	4,370
Computer hardware and software	89,319	(32,822)	56,497
Communication equipment	29,478	(22,982)	6,496
Furniture and equipment	13,193	(3,133)	10,060
Leasehold improvements	3,657	(1,022)	2,635
Asset retirement obligation cost	142	(141)	1
Contribution in aid of construction	(144)	128	(16)
	220,951	(66,968)	153,983
Unfinished construction	1,730	–	1,730
Total	$ 222,681	$ (66,968)	$ 155,713

Capital asset balances as at March 31, 2008 have been reclassified for comparative purposes. There is no impact on depreciation expense.

Note 9: Debt

Short-term Debt

Under the terms of an agreement with the Province of British Columbia, BCTC is authorized to borrow $25,000,000 under the short-term commercial paper program which can be extended temporarily to $40,000,000 for up to two months. Interest is charged at the prevailing money market rates.

During the year ended March 31, 2009, BCTC entered into 42 short-term borrowings with interest rates varying from 0.30% to 3.40% and terms of 1 day to 59 days totalling $151,943,000 all of which have been repaid as at March 31, 2009. The outstanding short-term debt balance of $9,012,000 as of March 31, 2008 has also been repaid.

BCTC has available a $5,000,000 demand revolving line of credit with a chartered bank. As at March 31, 2009, $1,749,000 in letters of credit have been issued for the Vancouver Island Transmission Reinforcement project. There have been no draws on the line of credit for the year ended March 31, 2009.

Long-term Debt

In June 2007, BCTC issued a bond, series BCTC-CP-124, to the Province of British Columbia with a coupon rate of 4.75% and an effective interest rate of 4.75%. The balance at March 31, 2009 consists of the face value of the bond of $40,000,000, offset by $12,000 transaction costs. The bond is due on June 11, 2017 with interest payable semi-annually in June and December. As at March 31, 2009, the fair value of this bond including accrued interest, as calculated by the BC government, is $42,672,000 compared to the carrying value of $39,989,000.

In November 2008, BCTC issued a bond, series BCCP-140, to the Province of British Columbia with a face value amount of $30,000,000, a coupon rate of 5.06% and an effective interest rate of 4.92%. The balance at March 31, 2009 consists of the face value of the bond of $30,000,000, offset by $10,000 transaction costs. The bond is due on November 10, 2018 with interest payable semi-annually in May and November. As at March 31, 2009, the fair value of this bond including accrued interest, as calculated by the BC government, is $32,591,000 compared to the carrying value of $29,990,000.

($ in thousands)	March 31, 2009	March 31, 2008
4.30% due December 18, 2008 (effective rate 4.12%)	$ -	$ 30,036
4.75% due June 11, 2017 (effective rate 4.75%)	39,989	39,988
5.06% due November 10, 2018 (effective rate 4.92%)	29,990	
Total	$ 69,979	$ 70,024

Long-term debt expressed in Canadian dollars is summarized in the following table by year of maturity.

($ in thousands)	
Maturing in fiscal	
2010	$
2011	
2012	
2013	
2014 to 2018	69,979
Total	$ 69,979

Note 10: Accumulated Other Comprehensive Income

In August 2008, BCTC entered into a forward contract, designated as a cash flow hedge, to hedge interest rate risk on the future cash flows associated with the planned re-issuance of $30,000,000 long-term debt. In November 2008, the forward contract was exercised resulting in a gain of $348,000 which was recognized as Other Comprehensive Income and will be amortized to interest expense over the life of the bond which is due in November 2018.

($ in thousands)	
Opening Accumulated Other Comprehensive Income	$ -
Gain on forward contract	348
Less: Amortization to interest expense	(11)
Other Comprehensive Income	337
Closing Accumulated Other Comprehensive Income	$ 337

Note 11: Transactions with Related Parties

(a) BC Hydro pays BCTC for the cost of system operation and asset management services and other services as follows:

($ in thousands)	2009	2008
Revenues from BC Hydro:		
Tariff revenue	$ 76,787	$ 59,455
Asset management and maintenance	90,900	87,300
Service fees and other	53,156	43,075
Total revenues from BC Hydro	$ 220,843	$ 189,830

(b) The amounts due (to) from BC Hydro as at March 31 are as follows:

($ in thousands)	2009	2008
Tariff billing distributed to BC Hydro more (less) than its Revenue Requirement	$ 341	$ (7,841)
Accrued tariff billing (payable) receivable	(471)	10,316
Service fees and cost recoveries	5,918	6,944
Services performed by BC Hydro and subsidiaries	(11,489)	(19,062)
Total due to BC Hydro	$ (5,701)	$ (9,643)

(c) Included in the operations, maintenance and administration expense is $80,890,000 (2008 - $79,745,000) for services purchased from BC Hydro and subsidiaries. Included in capital expenditures is $2,403,000 (2008 - $3,554,000) for services purchased from BC Hydro.

(d) In December 2003, BCTC entered into lease contracts with BC Hydro for control centre buildings and land (see Note 14). The Lower Mainland Control Centre (LMCC) was terminated in June 2008. The building lease for the Southern Interior Control Centre (SICC) valued at BC Hydro's net book value of $3,730,000 is accounted for as a capital lease. This amount has been included in the financial statements as property, plant and equipment and obligations under capital lease. At March 31, 2009, the balance of the obligations under capital lease was $48,000 (2008 - $115,000) current and $3,456,000 (2008 - $6,724,000) non-current. Included in finance charges is $320,000 (2008 - $507,000) of interest expense relating to the capital leases (Note 17). Other land and building leases with BC Hydro are accounted for as operating leases. Included in the operations, maintenance and administration expense is $116,000 (2008 - $200,000) for these operating leases.

Notes to the Financial Statements

For the Years Ended March 31, 2009 and 2008

Note 12: Accrued Employee Benefits

($ in thousands)	2009	2008
Registered pension plan (see Note 19)	$ (4,885)	$ (3,076)
Supplemental pension plan (see Note 19)	5,348	4,446
Total accrued benefit liability	463	1,370
Post-retirement benefit costs (see Note 19)	12,360	11,149
Time bank liabilities	10,169	10,462
Total	$ 22,992	$ 22,981

The defined benefit costs for the year ended March 31, 2009 were $5,065,000 (2008 - $5,594,000).

Note 13: Asset Retirement Obligation

On April 1, 2004, BCTC recorded an asset retirement obligation (ARO) for the system control centre facility as it is legally required to remove the facility at the end of its useful life (estimated to be October 2008) and to restore the site to its original condition in accordance with the lease agreement. The system control centre facility was placed in service by BC Hydro in 1974. This asset was transferred to BCTC on December 1, 2003 under the Asset Lease, License and Transfer Agreement. The ARO liability for this facility was estimated to be $1,000,000 at the end of October 2008. The present value of this ARO liability, calculated to be $795,000, was recorded in April 2004 using a credit adjusted risk free rate of 5.9%. During 2004, BC Hydro paid BCTC $778,000 for its share of the ARO liability.

In September 2008, BCTC, BC Hydro and a third party signed an agreement for a surrender date of March 31, 2009. The ARO liability has been extinguished and as set out in the Negotiated Settlement Agreement, $217,000 relating to the ARO has been credited against the 2009 fiscal year Revenue Deferral Account.

Note 14: Obligations Under Capital Lease

BCTC has land and buildings under capital and operating leases with BC Hydro. The capital lease for the South Interior Control Centre (SICC) was issued at an interest rate of 7.4% per annum compounded monthly. The lease term of 33 years will expire on November 30, 2034. The future minimum payments under capital lease with BC Hydro for the SICC are approximately as follows:

($ in thousands)	Capital Lease
Less than 1 year	504
Year 2	504
Year 3	504
Year 4	504
Year 5	504
Later than 5 years	6,291
Total future minimum payments	7,811
Less: imputed interest	(4,307)
Capital lease liability	3,504
Less: current portion	(48)
Long term portion of capital lease	$ 3,456

Note 15: Share Capital

Authorized Share Capital
BCTC is authorized to issue 10,000,000 common shares without par value.

Common Shares

	2009		2008	
	Shares	Amount	Shares	Amount
Issued at incorporation	1	$ 1	1	$ 1
Issued pursuant to Subscription Agreement for cash consideration	1	20,000,000	1	20,000,000
Issued and outstanding	2	$ 20,000,001	2	$ 20,000,001

The Province of British Columbia owns both common shares.

Note 16: Cost of Market

Cost of market expenses include ancillary service and congestion management costs. Ancillary service costs include scheduling, system control and dispatch, reactive supply and voltage control, regulation and frequency response, energy imbalance, operating reserves and loss compensation. Ancillary service costs are needed with transmission service to maintain reliability within and among the control areas affected by the transmission service. Congestion management costs relate to the purchase of operating reserves, transmission locational credits, unscheduled flow mitigation, and operating agreements between control areas. Congestion management costs are incurred to maximize the transmission capacity available to be contracted by customers.

($ in thousands)	2009	2008
Congestion management	$ 621	$ 712
Ancillary services	4,395	4,281
Total	$ 5,016	$ 4,993

Note 17: Finance Charges

($ in thousands)	2009	2008
Interest on debenture	$ 3,381	$ 2,785
Interest on capital leases	320	507
Interest on deferral accounts	(332)	(308)
Interest on other	228	254
Less: AFUDC debt portion during construction	(72)	(2,243)
Total	$ 3,525	$ 995

Note 18: Financial Instruments and Concentration of Risk

Fair Values

For purposes of CICA Handbook Section 3855 *Financial Instruments – Recognition and Measurement*, BCTC has classified its financial instruments as follows:

Asset/liability classes	Financial assets/liabilities	Classification
Cash & cash equivalents	Financial assets	Loans and receivables
Accounts receivable	Financial assets	Loans and receivables
Other assets	Financial assets	Loans and receivables
Accounts payable and accrued liabilities	Financial liabilities	Other financial liabilities
Short-term debt	Financial liabilities	Other financial liabilities
Accrued interest	Financial liabilities	Other financial liabilities
Due to BC Hydro	Financial liabilities	Other financial liabilities
Long-term debt	Financial liabilities	Other financial liabilities

As at March 31, 2009, the fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, short-term debt, accrued interest, and other assets on the balance sheet approximate their carrying values due to the short-term nature of these instruments.

Long-term debt is measured at amortized cost using the effective interest rate method as required under CICA Handbook Section 3855. Disclosure of the fair value of BCTC's long-term debt is provided in Note 9.

Hedges

Section 3865 *Hedges* establishes guidance on how hedge accounting is applied and reported, including the criteria that must be satisfied in order for it to be applied for fair value hedges and cash flow hedges. Hedge accounting is optional and requires documentation of the hedging relationship at inception of the hedge, including the risk management objective, the hedged item and related hedging item. At the end of each period, the effectiveness of the hedging relationship and measurement of the amount of any hedge ineffectiveness is required.

For fair value hedges, the carrying value of the hedged item is adjusted for gains and losses on the hedged item attributable to the hedged risk and recognized in net income.

For cash flow hedges, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income while the ineffective portion is recognized in net income.

Financial Risks

BCTC has exposure to credit risk, market risk, and liquidity risk in the normal course of operations. BCTC periodically utilizes derivative financial instruments to manage or hedge these risks. BCTC does not hold or use any derivative instruments for trading purposes.

Credit Risk

BCTC is directly exposed to counterparty credit risk as a result of providing transmission and related services to its customers. BCTC's customers are utilities and their affiliates and independent power producers in the western United States and western Canada. Credit risk is managed by authorizing transactions with only credit worthy counterparties as determined by BCTC management approved procedures and by monitoring the credit risk and credit standing of customers on a regular basis.

As at March 31, 2009, BCTC's account receivable balance, net of the provision for bad debts of $387,000, was $3,914,000. This amount includes insurance claims that are in the process of resolution and negotiation. Trade accounts receivable over 60 days past due were $592,000. The deferral accounts receivable was $14,262,000. This amount will be collected from customers subsequent to BCUC approval.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

a) Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. BCTC enters, from time to time, into forward contracts to manage its exposure to fluctuations in foreign currency exchange rates. Gains and losses on forward contracts are recorded in income. BCTC is not exposed to significant currency risk and has not entered into any forward contracts in the period ended March 31, 2009.

b) Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Due to the short-term nature, BCTC's short-term investments and debt are not subject to significant interest rate risk. BCTC has no short-term investments or debt as at March 31, 2009.

   BCTC's long-term debt bears fixed interest rates and therefore is not subject to interest rate risk. BCTC uses derivative financial instruments to manage interest rate and currency risk. BCTC has no outstanding derivative financial instruments as at March 31, 2009.

c) Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from currency or interest rate risks. Due to the nature of BCTC's financial instruments and as the fair values of BCTC's financial instruments approximate carrying values, BCTC's financial instruments are not subject to other price risk.

Liquidity Risk

Liquidity risk is the risk that BCTC will not be able to meet its financial obligations as they become due. BCTC manages liquidity risk by monitoring its cash flows and secures additional funds through a $5.0 million demand revolving credit facility with a chartered bank, and through borrowings with the Province of BC's short-term commercial paper program. Under the program BCTC can borrow $25,000,000 with a temporary increase permitted to $40,000,000 for up to two months. These programs have been sufficient in funding normal operating requirements. BCTC monitors and reviews the maturity of its long-term bonds and will refinance accordingly when due.

The maturity profile of BCTC's debt as at March 31, 2009 is as follows:

($ in thousands)	Less than 1 year	Greater than 5 years	Total
Commercial paper	$ -	$ -	$ -
Bonds	-	69,979	69,979
Total	$ -	$ 69,979	$ 69,979
Percentage of total	0%	100%	100%

Note 19: Employee Benefit Plans

BCTC provides a defined benefit registered pension plan to all employees (the Plan). Pension benefits are based on years of membership service and highest five-year average pensionable earnings. Employees make basic and indexing contributions to the plan funds based on a percentage of current pensionable earnings. Annual cost-of-living increases are provided to pensioners to the extent that funds are available in the indexing fund. BCTC contributes amounts as prescribed by an independent actuary toward the cost of providing basic benefits under the Plan. The company's actuary prepares calculations for the accrued benefit obligation and the expected long-term rate of return on plan assets incorporating an assumption related to the discount rate in accordance with section 3461 of the CICA Handbook. This weighted average discount rate is 8.4% for both the Pension Plan and for the Other Benefits Plan.

In addition, BCTC provides a supplementary pension arrangement that provides additional pension benefits to employees to the extent that their benefits under the Plan are constrained by the maximum pension limits under the *Income Tax Act*. The Supplemental Plan includes the minimum pension guarantee provided by BCTC to five employees with prior service under the BC public service pension plans, as well as certain enhanced benefits payable to BCTC employees at the Vice-President level and above.

Notes to the Financial Statements

For the Years Ended March 31, 2009 and 2008

BCTC provides post-retirement benefits other than pensions including medical, extended health and life insurance coverage for retirees who have at least 10 years of service and qualify to receive pension benefits.

BCTC has measured its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31, 2009. The most recent actuarial valuation of the Plan for funding purposes was as of December 31, 2008, prepared by Mercer, which will be filed with the relevant regulators by June 30, 2009. The next actuarial valuation of the Registered Pension Plan for funding purposes is as at December 31, 2011.

On December 31, 2008, the Registered Pension Plan completed an asset transfer to the BC Hydro Pension Plan in relation to 10 employees who elected to transfer their accrued pension from the Plan to the BC Hydro Pension Plan. The amount of the transfer, including interest, was $629,000.

On December 30, 2008 the Registered Pension Plan received an asset transfer from the BC Hydro Pension Plan in relation to the 4 employees who elected to transfer their accrued pension from the BC Hydro Pension Plan to the Plan. The amount of the transfer was $713,000.

In total, the Plan assets in the year ended March 31, 2009 increased by $713,000 (2008 - $1,146,000) for transfers from the BC Hydro Pension Plan and decreased by $629,000 (2008 - $1,049,000) for transfers to the BC Hydro Pension Plan.

Total cash payments for employee future benefits for 2009, consisting of cash contributed by BCTC to its funded pension plan, and cash payments directly to beneficiaries for its unfunded other benefit plans, was $4,816,000 (2008 - $4,382,000).

Elements of defined benefit costs:

	Pension Plans		Other Benefit Plans	
($ in thousands)	2009	2008	2009	2008
Current service cost				
Basic benefits	$ 3,307	$ 3,170	$ 559	$ 683
Indexing benefits	359	321	-	-
Interest cost	3,199	2,734	712	669
Actual return on plan assets	7,228	454	-	-
Actuarial gain on accrued benefit obligation	(12,177)	(10,698)	(2,455)	(2,422)
Costs arising in the period	1,916	(3,019)	(1,184)	(1,070)
Differences between costs arising in the period and costs recognized in the period in respect of:				
Return on plan assets	(10,425)	(1,600)	-	-
Actuarial gain	12,303	9,115	2,455	2,499
Net periodic pension cost recognized	$ 3,794	$ 4,496	$ 1,271	$ 1,429

Weighted average assumptions for expense

	Pension Plans		Other Benefit Plans	
	2009	2008	2009	2008
Discount rate	6.20%	5.25%	6.20%	5.25%
Expected long-term rate of return on plan assets	6.75%	6.50%	-	-
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%
Weighted average health care trend rate – initial	-		5.00%	5.10%
Weighted average health care trend rate – ultimate rate	-		4.00% reached after 2015	4.00% reached after 2011

Weighted average assumptions for disclosure

	Pension Plans		Other Benefit Plans	
	2009	2008	2009	2008
Discount rate	8.40%	6.20%	8.40%	6.20%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%
Weighted average health care trend rate – initial	-		5.80%	5.00%
Weighted average health care trend rate – ultimate	-		4.00% reached after 2029	4.00% reached after 2015

Change in accrued benefit obligation

	Pension Plans		Other Benefit Plans	
($ = thousands)	2009	2008	2009	2008
Accrued benefit obligation at beginning of year	$ 58,529	$ 58,320	$ 10,996	$ 12,136
Net obligations transferred for assumed Hero BC Hydro	84	441	-	-
Additional obligation due to special benefit granted to certain employees	53	53	-	-
Current service cost:			-	
Basic benefits	3,307	3,770	559	653
Indexing benefits	359	321	-	-
Interest cost	3,199	3,748	712	669
Actual return on plan assets – (gain) loss	(1,581)	(114)	-	-
Employee contributions:				
Basic benefits	1,676	1,566	21	22
Indexing benefits	357	317	-	-
Benefits paid	(1,076)	(907)	(81)	(62)
Actuarial loss	(12,177)	(7,090)	(2,455)	(2,427)
Accrued benefit obligation at end of year	$ 52,730	$ 58,529	$ 9,752	$ 10,996

Notes to the Financial Statements

For the Years Ended March 31, 2009 and 2008

Change in plan assets

	Pension Plans		Other Benefit Plans	
($ in thousands)	2009	2008	2009	2008
Fair value of plan assets at beginning of year	$ 55,414	$ 51,265	$ -	$ -
Net assets transferred from BC Hydro	84	(505)	-	-
Actual return on plan assets				
Basic benefits	(7,228)	(484)	-	-
Indexing benefits	(1,581)	(114)	-	-
Employer contributions				
Basic benefits	4,397	4,021	60	40
Indexing benefits	359	321	-	-
Employee contributions				
Basic benefits	1,676	1,500	21	22
Indexing benefits	357	317	-	-
Benefits paid	(1,076)	(907)	(81)	(62)
Fair value of plan assets at end of year	$ 52,402	$ 55,414	$ -	$ -

As at March 31, 2009, the accrued benefit obligations of all the unfunded plans (all plans except for the Registered Pension Plan) totalled $14,987,000 (2008 - $17,342,000). This is comprised of the following: Supplemental Plan - $5,235,000 (2008 - $6,346,000) and the other benefit plans - $9,752,000 (2008 - $10,996,000). The fair value of plan assets for these plans is nil.

Reconciliation of funded status to accrued benefit liability

	Pension Plans		Other Benefit Plans	
($ in thousands)	2009	2008	2009	2008
Funded status - deficit at end of year	$ (328)	$ (3,115)	$ (9,752)	$ (10,996)
Unamortized net actuarial loss	(135)	1,743	(2,608)	(153)
Accrued benefit liability	$ (463)	$ (1,372)	$ (12,360)	$ (11,149)

Pension Plan assets by asset category

	2009	2008
Equity securities	47%	53%
Debt securities	49%	44%
Cash and short-term deposits	4%	3%
Total	100%	100%

Assumed cost trend rates have a significant effect on the amounts reported for the other benefit plans. A 1% change in assumed cost trend rate would have the following effects for F2009:

($ in thousands)	1% Increase	1% Decrease
Total of service and interest cost	$ 350	$ (261)
Accrued benefit obligation	$ 1,907	$ (1,557)

Note 20: Commitments and Contingencies

(a) BCTC has land and buildings under operating leases with BC Hydro. As well, BCTC has entered into agreements with BC Hydro to purchase engineering and field services. The future minimum payments under operating leases and service agreements with BC Hydro are approximately as follows:

($ in thousands)	Operating Leases	Service Agreements
2010	$ 87	$ 42,850
2011	87	34,280
2012	87	25,710
2013	87	17,140
2014	64	8,570
2015 and subsequent years	362	–
Total future minimum payments	$ 774	$ 128,550

Since 2004, an agreement has been in place between BC Hydro, BCTC and Accenture Business Services through which BCTC takes services and pays prices under the Master Services Agreement between Accenture Business Services and BC Hydro. BCTC will continue to take services under this agreement. Since this agreement has been in place, there has been no interruption of service to BCTC.

With the implementation of the SCMP project, BCTC surrendered the operating leases for the System Control Centre and the Edmonds Control Centre in F2009. The Northern Control Centre lease was extended until November 30, 2013. The Vancouver Island Control Centre lease expired in November 2008 and BCTC is in the process of extending it for another 5 years until November 30, 2013.

The future minimum payments on the lease for the Bentall office premises are approximately as follows:

($ in thousands)	
2010	$ 3,365
2011	3,381
2012	3,488
2013	3,490
2014	2,187
2015 and subsequent years	4,610
Total future minimum payments	$ 20,521

(b) BCTC has $6,260,000 remaining in a commitment for a facilities maintenance contract for the new control centres.

Note 21: Capital Disclosures

The Province of British Columbia's Special Direction No. 9 (SD 9), Order in Council No. 1107, approved and ordered November 27, 2003, sets out the mechanism for determining BCTC's deemed capital structure. Based on SD 9 definitions, BCTC's debt component comprises short-term debt, long-term debt, and obligations under capital lease less temporary investments. BCTC's equity component comprises share capital and retained earnings. BCTC's required deemed equity component, as amended by Order in Council No. 752 and approved and ordered October 19, 2005, is 40.7%.

Deemed equity is a method used in rate setting to ensure that rates are set on an appropriate capital structure. BCTC strives to conduct its business within the parameters of the deemed equity level. This safeguards BCTC's ability to function as a going concern.

Financial and Operating Statistics

Financial Statistics	Unit of Measures	F2009	F2008	F2007	F2006	F2005[1]
Revenues	$ millions	237.8	201.9	189.8	205.3	94.8
Net (Loss) Income before deferral accounts	$ millions	2.3	(1.1)	1.3	21.6	3.4
Net Income	$ millions	7.1	3.2	3.1	13.5	3.4
Total Assets	$ millions	178.0	186.1	146.5	137.3	99.7
Total Liabilities	$ millions	126.7	142.3	105.9	99.5	69.4
Shareholder's Equity	$ millions	51.3	43.8	40.6	37.8	24.3
Debt	$ millions	73.5	85.9	37.0	37.2	37.3
Total Transmission Assets under Management	$ millions	3,009.7	2,710.7	2,587.0	2,479.0	2,489.0
Transmission Capital Expenditures						
Assets owned by BCTC	$ millions	18.7	70.1	50.4	21.4	13.3
Transmission assets owned by BC Hydro	$ millions	376.1	203.0	183.8	123.7	122.1
Actual Debt to Equity Ratio	Ratio	63:37	58:42	43:57	46:52	49:51
Operating Statistics						
BCTC SAIDI	(Hours)	2.36	2.45	4.21	2.07	7.33
Length of Transmission Lines	(km)	18,589	18,600	18,294	18,286	18,286
Number of stations	(Number)	292	290	291	287	281
Maximum Reserve Demand	(MW)	11,100	11,100	11,100	11,100	11,100
Peak Demand	(MW)	10,011	9,949	10,113	10,317	9,451
Point-to-Point Sales Volume						
Long-term	(GWh)	10,977	8,778	5,904	4,981	5,107
Short-term	(GWh)	12,457	12,422	14,081	10,965	6,288
Transmission Rates						
Long-term PTP (Average)	($/MWh)	5.49	5.22	5.24	5.58	5.14
Short-term PTP (Average)	($/MWh)	0.39	1.20	1.80	4.16	3.09
Annual Network Charge	($ millions)	486.8	479.2	467.8	459.9	462.1
Number of Employees						
Regular		401	384	360	321	311
Temporary		47	40	37	10	14

(1) The financial statistics for F2005 represent BCTC providing contract services to BC Hydro, whereas F2006, F2007, F2008, and F2009 results are for BCTC as a financially independent utility.

(2) Maximum Reserve Demand is the maximum capacity supply that was used in the determination of long-term point-to-point transmission rates.

Glossary of Terms

Benchmark is a measured achievement that is used as a reference or measurement standard for comparison and is recognized as the standard of excellence for a specific business process.

Gigawatt hour (GWh) is a unit of bulk energy; one million kilowatt hours.

Interconnected System is a system which has two or more individual power systems normally operating in synchronism and having connecting tie lines.

Intertie is a transmission circuit used to tie or interconnect two utility systems.

Kilowatt hour (kWh) is the basic unit of electrical energy equal to 1 kilowatt or 1,000 watts of power used for one hour. The amount of power the customer uses is measured in kilowatt hours (kWh). A 100-watt light bulb operated for 10 hours uses 1 kWh.

Load is the total amount of electricity required to meet customer demand at any moment. The load fluctuates depending on electricity use throughout any given day.

Megawatt hour (MWh) is a unit of bulk energy; 1,000 kilowatt hours.

Open Access allows all eligible parties to use the transmission system to move power on a non-discriminatory basis.

Power is the rate at which electrical energy is converted into another form, such as light, heat, or mechanical energy (or converted from another form into electrical energy).

Revenue Requirement means the amount of revenues the utility needs to receive in order to cover operating expenses, pay debt service and provide a fair return on invested capital.

Transmission is the process of transporting electrical energy in bulk on high voltage lines from the generating facility to the local distribution company for delivery to retail customers.

Transmission capacity is the amount of electrical power that can be transferred over the interconnected transmission system network in a reliable manner while meeting all of a set of defined system conditions.

Voltage is the force which pushes electricity through a wire (just as pressure causes water to flow in a pipe).

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About BCTC

BC Transmission Corporation is the Crown corporation that plans, builds, operates and maintains the province's publicly owned electrical transmission system.

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